

# ***VERMONT***



## ***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

***For the fiscal year ending JUNE 30, 2005***

The cover picture was provided by Linda Morse of Middlesex, VT.

*STATE OF VERMONT*

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

*For the fiscal year ending JUNE 30, 2005*



*James H. Douglas*  
**Governor**

*Prepared by the Department of Finance and Management*

**STATE OF VERMONT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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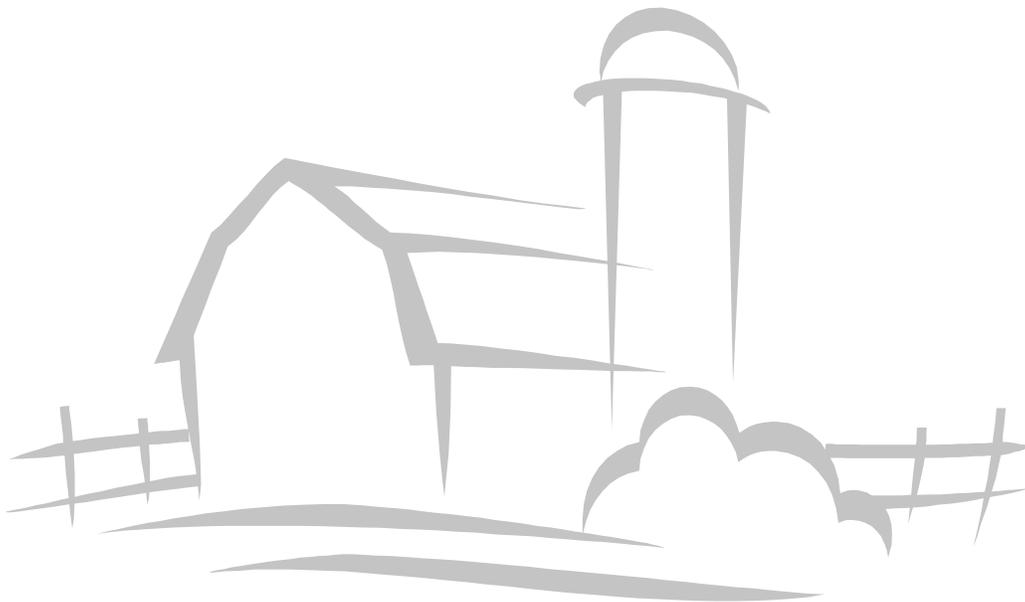
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*Vermont*



## **STATE OF VERMONT**

### **DEPARTMENT OF FINANCE AND MANAGEMENT MONTPELIER, VERMONT 05609-0401**

#### **LETTER OF TRANSMITTAL**

To the Honorable James H. Douglas, Governor  
The Honorable Brian L. Dubie, Lieutenant Governor  
Chairs of House Committees on Appropriations, Institutions and Ways and Means,  
Senate Committees on Appropriations, Finance and Institutions, and  
The Citizens of the State of Vermont

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ending June 30, 2005. The Department of Finance and Management prepared this report, which includes the Basic Financial Statements as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). By issuing this report by December 31, 2005, the Department has met the State statutory issuance date for the first time in recent years.

I would like to direct your attention toward two important items contained in this CAFR. First is the Management and Discussion Analysis (MD&A) that follows the Auditor's opinion. This analysis is designed to give you, the reader an overview of the State's financial position, described in understandable terms, in order to help you better understand the results of operations of your state government.

The second item I would like to direct your attention to is the Basic Financial Statements (BFS) which follow the MD&A. The Basic Financial Statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). They contain government-wide statements that present the State's financial activities in a manner similar to that of a private corporation; fund statements that report governmental, proprietary, fiduciary and component unit financial activity; and note disclosures that explain and enhance the government-wide statements. I believe the BFS are fairly stated in all material respects and that they are presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net assets/fund balances. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the State of Vermont's Department of Finance and Management.

In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, Supplementary Information, and a Statistical section. The RSI section contains Budgetary Comparison Schedules,

and the Schedule of Funding Progress for the defined benefit pension trust funds. The Supplementary Information section contains the combining fund financial statements for the State's non-major Governmental, Proprietary, and Fiduciary Funds; and combining statements for the State's non-major component units. The Statistical section presents fiscal, social, and demographic information about the State of Vermont.

## **The General Fund**

The General Fund, which accounts for a significant portion of the State's financial activity, is the State's largest operating fund. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds as well as the expenditures associated with these revenues. In fiscal year 2005, total general fund tax revenues accounted for 97.7 percent of total general fund revenues. The personal income tax, the sales and use tax, and the meals and room tax, the three principle tax revenue contributors, accounted for 80 percent of general fund total tax revenues or approximately 78.1 percent of total General Fund revenues. Associated General Fund expenditures are accounted for by major governmental function in the following categories: General Government, Protection to Persons and Property, Human Services, Employment and Training, General Education, Natural Resources, Commerce and Community Development, and Debt Service.

## **Budget Adoption and Legal Compliance/Budgetary Results**

Note 1 to the financial statements describes the State's budgeting process while the Required Supplementary Section contains Budgetary Comparison Schedules for the State's five major governmental funds. These schedules compare each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by type of fund within appropriation.

## **Cash and Investments**

Cash deposits are managed by the State in accordance with the provisions of Title 32, Vermont Statutes Annotated, Sections 431-434, which defines the requirements the Treasurer must adhere to when depositing public monies. The State Treasurer pools substantially all cash except that which is required to be maintained separately in accordance with legal restrictions. Note 2 provides more detail regarding this important area.

## **Risk Management**

By self-insuring, the State generally assumes substantially all risk associated with Workers' Compensation, Employee Liability, Employee Health and Life, and General Liability under State law. However, the State has minimized its exposure in several areas by either purchasing commercial insurance coverage or by limiting benefit claim amounts.

## **Independent Audit of These Financial Statements**

An audit was performed by the independently elected State Auditor of Accounts whose "Independent Auditor's Report" is included in the financial section of this CAFR. The audit described in the auditor's report is not intended to meet all requirements of the Federal Single Audit Act of 1996. Rather, the Single Audit Report for the State is issued under separate cover.

## Acknowledgements

The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Treasurer's Office, the Auditor of Accounts' Office and the support of all state agencies and component units, the Legislature, and the Judiciary. I welcome inquiries concerning this report and the finances of the State of Vermont.

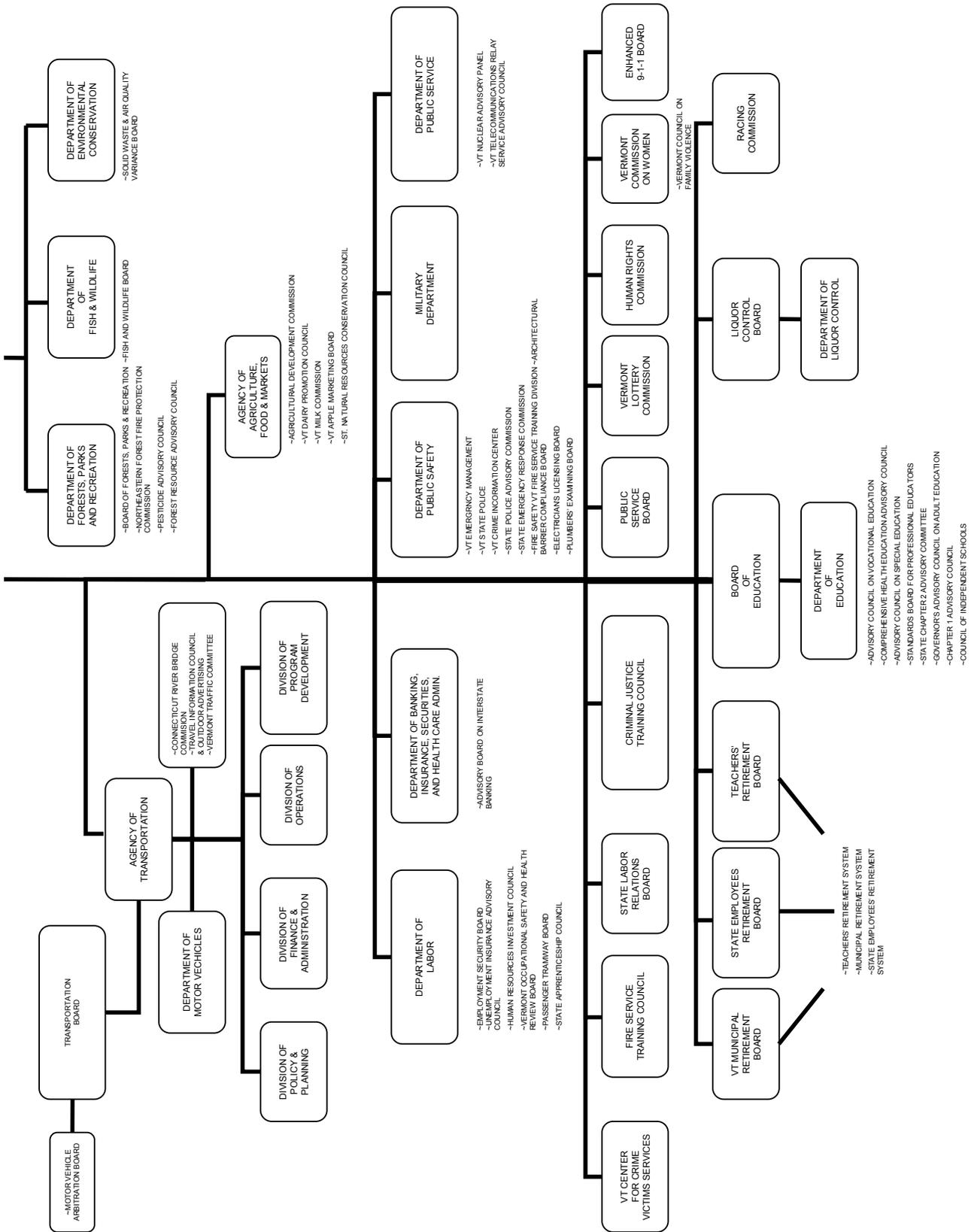
Sincerely,

A handwritten signature in black ink that reads "James B. Reardon". The signature is written in a cursive style with a large, prominent initial "J".

James B. Reardon, CPA  
Commissioner

December 29, 2005





**SELECTED STATE OFFICIALS**  
**As of June 30, 2005**

**EXECUTIVE**

*James H. Douglas*  
*Governor*

*Brian L. Dubie*  
*Lieutenant Governor*

*Deborah L. Markowitz*  
*Secretary of State*

*William H. Sorrell*  
*Attorney General*

*Randolph D. Brock*  
*Auditor of Accounts*

*George B. "Jeb" Spaulding*  
*State Treasurer*

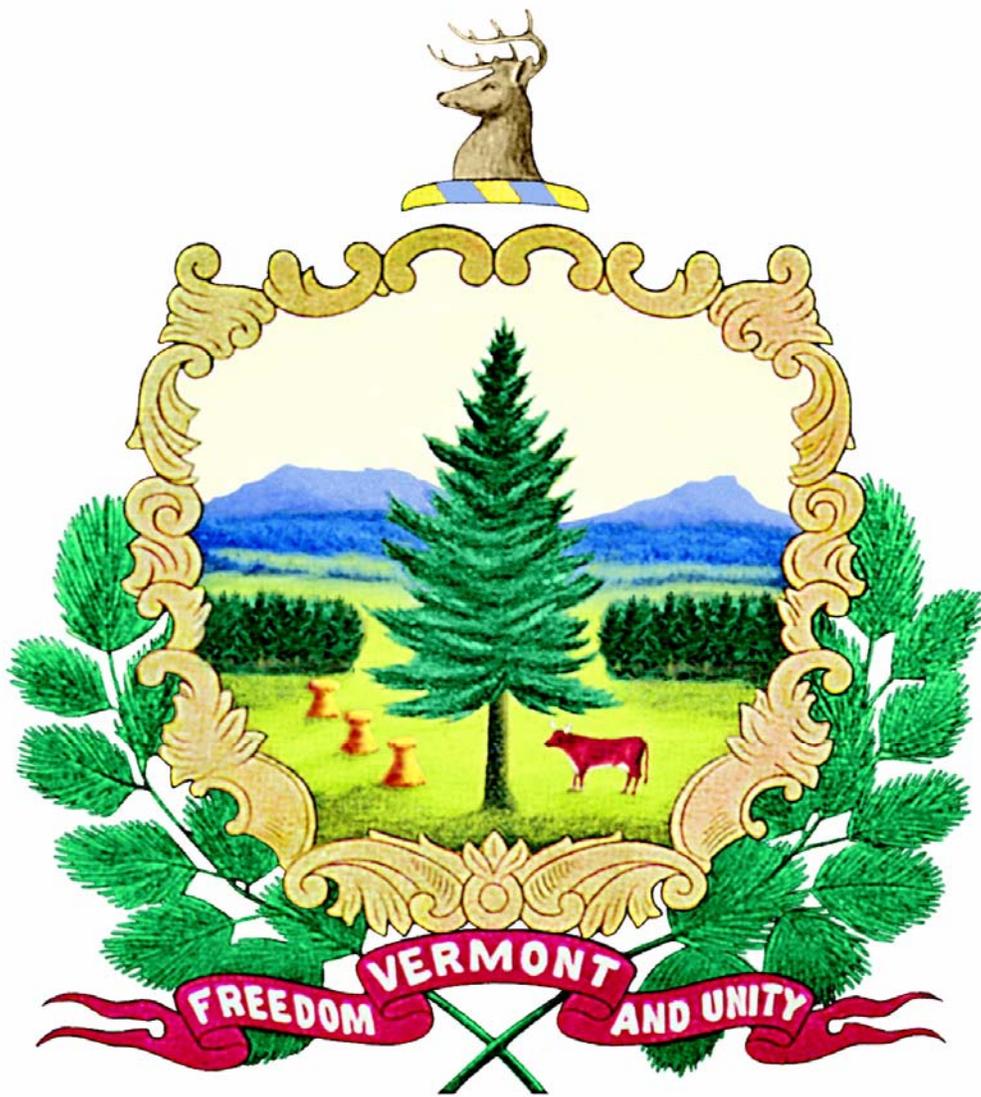
**JUDICIAL**

*Paul L. Reiber*  
*Chief Justice*

**LEGISLATIVE**

*Peter Welch*  
*President Pro Tempore of the State Senate*  
*(30 Senators)*

*Gaye Symington*  
*Speaker of the House of Representatives*  
*(150 Representatives)*



***FINANCIAL SECTION***

**RANDOLPH D. BROCK  
STATE AUDITOR**



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

**Independent Auditor's Report**

Speaker of the House of Representatives Gaye Symington  
President Pro-Tempore of the Senate Peter F. Welch  
Governor James H. Douglas  
State House  
Montpelier, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont, as of and for the year ended June 30, 2005, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities and funds that aggregate the following percentages of total assets and revenues:

<b><u>Opinion Unit</u></b>	<b><u>Percentage of Total Assets</u></b>	<b><u>Percentage of Total Revenues</u></b>
<b>Business-Type Activities Aggregate Discretely Presented Component Units</b>	<b>3.1%</b>	<b>48.2%</b>
<b>Aggregate Remaining Funds</b>	<b>100%</b>	<b>100%</b>
	<b>4.0%</b>	<b>0.8%</b>

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it is related to the amounts included for those entities and funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Special Environmental Revolving Fund (blended into the Federal Revenue Fund), the

132 State Street • Montpelier, Vermont 05633-5101  
Auditor: (802) 828-2281 • Toll-Free (in VT only): 1-877-290-1400 • Fax: (802) 828-2198  
email: [auditor@sao.state.vt.us](mailto:auditor@sao.state.vt.us) • website: [www.state.vt.us/sao](http://www.state.vt.us/sao)

Vermont State Infrastructure Bank (blended into the Transportation Fund) and the Vermont Sustainable Jobs Fund (a discretely presented component unit) were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the State implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, effective July 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2005 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Vermont's basic financial statements. The introductory section, supplementary information, and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit by us and the other auditors of the basic financial statements and, accordingly, we express no opinion on them.

Randolph D. Brock



State Auditor  
December 29, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)** *(Unaudited)*

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2005. This MD&A section is intended to serve as an introduction to the State's basic financial statements. It is designed to assist the reader in focusing on significant financial issues, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial issues occurring within Vermont during fiscal year 2005. Please read this in conjunction with the transmittal letter found at the front of this report and the financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

The assets of the State's primary government exceeded its liabilities at June 30, 2005 by \$1.330 billion (net assets).

Total net assets for the primary government increased by \$31.7 million. The increase in net assets for governmental activities is \$42.1 million, while the decrease in net assets in business activities is \$10.5 million.

The State's governmental funds report combined ending fund balances of \$380.6 million. Of this amount, \$200.9 million is available for spending at the State's discretion (unreserved - undesignated fund balance).

During the fiscal year, the fund balance of the State's General Fund increased \$8.9 million to \$163.7 million. Of this amount \$95.1 million is reserved for specific purposes.

The State's debt outstanding for General Obligation Bonds decreased \$5.7 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of this Comprehensive Annual Financial Report (CAFR) contains this discussion and analysis section, the basic financial statements (BFS), required supplementary information (RSI), and other supplementary information. A statistical section is presented following the combining financial statements. Vermont's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. These components are described below.

#### **Basic Financial Statements**

The basic financial statements include three kinds of financial statements that present different views of the State – the **government-wide financial statements**, the **fund financial statements** and the **component units' financial statements**. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. **Notes to the financial statements** provide explanations and/or additional detail for all of the above type financial statements and are considered an integral part of the financial statements.

#### **Government-Wide Financial Statements**

Vermont's government-wide financial statements are designed to present a broad view of the State's operations and financial position in a manner similar to a private-sector business. All of the State's activities are reported in the government-wide statements, except for activities accounted for in fiduciary funds because the resources of those funds are not available to support the State's own programs.

The government-wide statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. The State prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. This basically means that the methods utilized to prepare these statements are similar to those used by most private sector businesses in preparing their financial statements. They take into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or

acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the State, even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *Statement of Net Assets* presents both the primary government's and its component units' assets and liabilities, with the difference between the assets and liabilities reported as "net assets". Over time, increases or decreases in the primary government's net assets may serve as an indicator as to whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents the financial activity and hence, the reason(s) for the changes in net assets during the reported fiscal year. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the State's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into the following three different categories. The governmental activities and business-type activities are combined to report on what is termed primary government activities which are separate and distinct from the activities of the discretely presented component units.

### **Primary Government Activities**

*Governmental Activities* – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

*Business-Type Activities* – These business-type activities of the State include the operations of Vermont's enterprise activities. These activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, Liquor Control, and the State Lottery Commission. Non-major activities include the federal surplus property program, publishing Vermont Life magazine, making equipment loans to municipalities, and several other activities. These activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

### **Component Units' Activities**

*Discretely Presented Component Units* – These are legally separate (incorporated) entities for which the elected officials of the primary government have financial accountability. The State's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of three major and nine non-major component units. This categorization is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the State's component units are presented in Note 1 to the financial statements.

The government-wide financial statements can be found immediately following this management's discussion and analysis.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Similar to other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on individual parts of the State in more detail than the government-wide statements. All of the funds of the State can be divided into three categories: governmental, proprietary, and fiduciary. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the supplementary information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension trust, private purpose trusts and agency funds) with combining schedules or statements for the individual pension and agency funds presented in the supplementary information section. It is important to note that these fund categories use different accounting methods and should be interpreted differently.

**The Three Categories of Funds Are:**

*Governmental Funds* – Most of the basic services provided by the State are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State’s finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Schedules reconciling the governmental funds’ Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

The State reports seventeen governmental funds of which five are classified as “major” governmental funds. These major funds include the General Fund, Transportation Fund, Education Fund, Special Fund, and Federal Revenue Fund. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance. The “non-major” governmental funds include the Fish and Wildlife Fund, two capital projects funds, and nine permanent funds and are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the supplementary information section of this report.

The governmental funds’ financial statements immediately follow the government-wide financial statements.

*Proprietary Funds* – This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds’ financial reports include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

Proprietary funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting, hence there is no reconciliation needed between the government-wide financial statements for business-type activities and the enterprise fund financial statements.

Enterprise funds account for services provided to the general public, government, and non-State government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

The State reports nine enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Trust Fund, the Liquor Control

Fund, and the Vermont Lottery Commission. The other six enterprise funds are reported as “non-major funds” and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. Because these funds’ activities primarily benefit governmental activities, they have been combined with the governmental activities in the government-wide statements.

The State reports twenty-one internal service funds which are reported in one consolidated column entitled “Governmental Activities – Internal Service Funds Total” on the Proprietary Funds Statement of Net Assets; Statement of Revenues, Expenses, and Changes In Net Assets; and Statement of Cash Flows.

The proprietary funds’ financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the supplementary information section.

*Fiduciary Funds* – These funds are used to account for resources held by the State for the benefit of parties outside of State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State’s own programs. They use the accrual basis of accounting.

The State’s fiduciary funds are divided into the following three basic categories: the Pension Trust Funds (six separate retirement plans for employees); the Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals).

The fiduciary funds financial statements can be found immediately following the proprietary funds financial statements. Individual pension trust funds and agency funds financial statements are reported in the supplementary information section of this report.

### **Discretely Presented Component Units’ Financial Statements**

As mentioned previously, the State has included the net assets and activities of three major and nine non-major component units in a single column of such statements labeling them as discretely presented component units. The component units’ financial statements can be found immediately after the fiduciary funds. Combining non-major component units’ financial statements can be found in the supplementary information of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component units’ financial statements.

### **Required Supplementary Information Other Than MD&A**

The basic financial statements are followed by a section of required supplementary information. This section includes:

The Schedule of Funding Progress for the three defined benefit Pension Trust Funds.

Schedules for the General Fund and each major Special Revenue Fund comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on the budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for each major governmental fund.

## **OTHER SUPPLEMENTARY INFORMATION**

### **Combining Financial Statements**

The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the required supplementary information (RSI). The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

- Non-major governmental funds
- Non-major proprietary (enterprise) funds
- Internal service funds
- Fiduciary funds
- Non-major component units

### **Statistical Data**

A statistical section containing selected financial, economic and demographic information is presented immediately following the combining statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Assets**

The State's (governmental and business-type activities) combined net assets total \$1.330 billion at the end of 2005, as shown in Table 1. The largest portion of the primary government's net assets (79.4 percent) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets (\$1.056 billion). The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's net assets (25.5 percent) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of unrestricted net assets is a deficit of \$65.8 million.

The governmental activities' negative unrestricted net assets balance is mainly the result of debt issued by the State for municipal, non-profit or component unit capital purposes that does not result in a governmental activities' capital asset and the statutorily mandated restricting of net assets for the budget stabilization reserves.

The business type-activities' positive unrestricted net asset balance may be used to meet the State's ongoing obligations to its citizens and creditors.

At the end of fiscal year 2005, the State reported positive total net asset balances in its governmental activities, business-type activities, and discretely presented component units.

The following condensed financial statement information is derived from the State's government-wide June 30, 2005 and 2004 financial statements. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

**TABLE 1**  
**State of Vermont's Net Assets**  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current assets	\$ 669.1	\$ 677.4	\$ 241.8	\$ 252.8	\$ 910.9	\$ 930.2
Other assets	237.8	223.1	5.4	5.7	243.2	228.8
Capital assets	1,209.8	1,146.0	0.5	0.5	1,210.3	1,146.5
<b>Total assets</b>	<b>2,116.7</b>	<b>2,046.5</b>	<b>247.6</b>	<b>259.0</b>	<b>2,364.3</b>	<b>2,305.5</b>
Long-term liabilities	639.8	623.8	4.2	4.5	644.0	628.3
Other liabilities	379.1	367.1	11.2	11.9	390.4	379.0
<b>Total liabilities</b>	<b>1,019.0</b>	<b>990.9</b>	<b>15.4</b>	<b>16.4</b>	<b>1,034.4</b>	<b>1,007.3</b>
Net assets:						
Invested in capital assets, net of related debt	1,055.5	1,001.3	0.5	0.5	1,055.9	1,001.8
Restricted	111.9	121.4	227.9	238.6	339.8	360.0
Unrestricted (deficit)	(69.6)	(67.1)	3.8	3.5	(65.8)	(63.6)
<b>Total net assets</b>	<b>\$ 1,097.8</b>	<b>\$ 1,055.6</b>	<b>\$ 232.2</b>	<b>\$ 242.6</b>	<b>\$ 1,329.9</b>	<b>\$ 1,298.2</b>

Totals may not add due to rounding.

### Changes in Net Assets

Vermont's primary government's change in net assets for fiscal year 2005 was an increase of \$31.7 million as shown in Table 2. This is the amount of change associated with operations for the year. Governmental activities had an increase in net assets while business-type activities had a decrease in net assets. The \$293.7 million increase in revenues is largely due to Act 68's change to a statewide education tax which taxes non-residential property at a higher rate than residential property. This increase is offset by the \$296.9 million increase in education expenditures.

In 2005, governmental activities' revenues exceeded expenses by \$21.4 million and received transfers of \$20.7 million resulting in the 4 percent increase in net assets. Business-type activities had an overall decrease in net assets of 4.3 percent, resulting from an operating surplus of \$10.2 million offset by transfers out of \$20.7 million to support governmental activities.

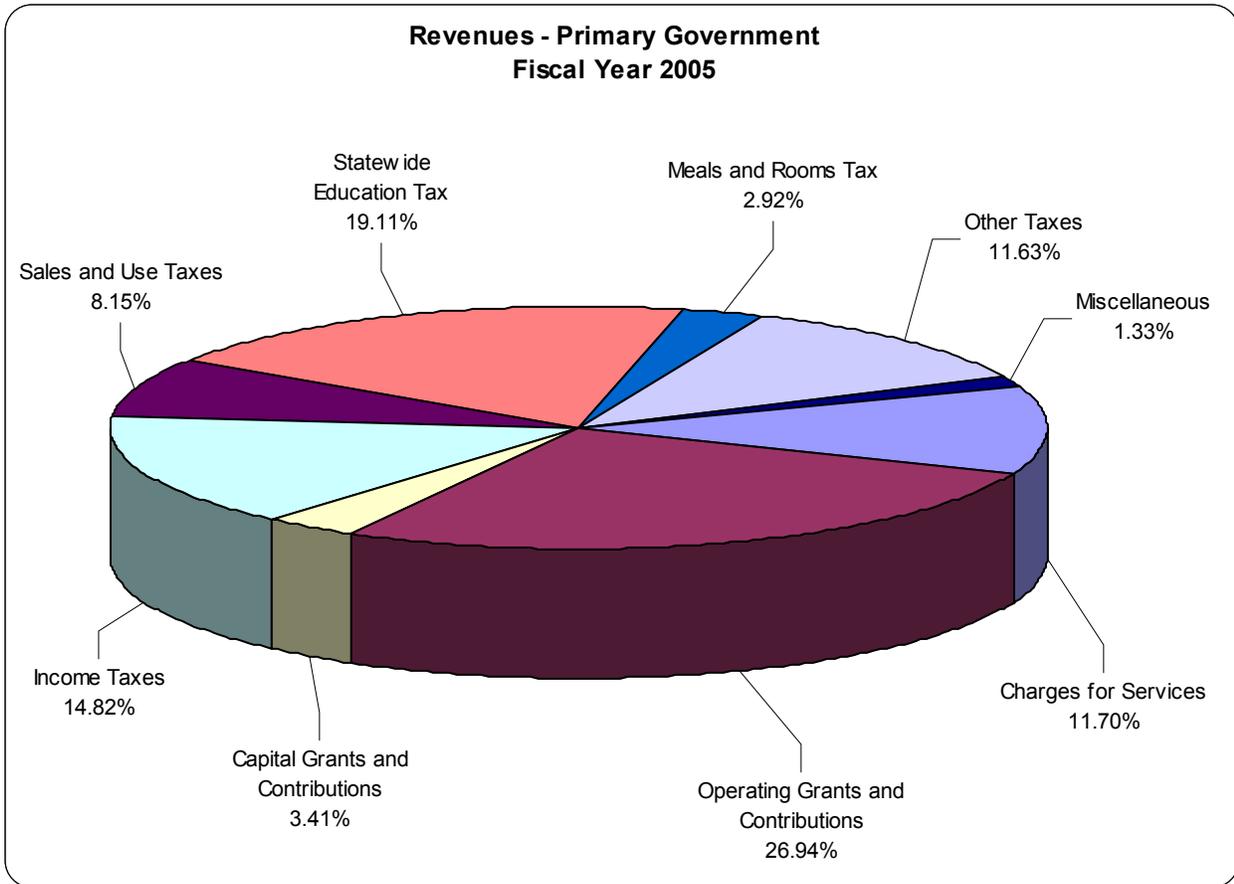
The following condensed table presents a comparison of activity for the fiscal years ended June 30, 2005 and 2004 and contains primary government data only.

**TABLE 2**  
**State of Vermont's Changes in Net Assets**  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 256.3	\$ 245.7	\$ 192.0	\$ 190.3	\$ 448.3	\$ 436.0
Operating grants and contributions	1,032.6	1,096.8	-	-	1,032.6	1,096.8
Capital grants and contributions	130.6	113.0	-	-	130.6	113.0
General revenues:						
Income taxes	568.1	496.3	-	-	568.1	496.3
Sales and use taxes	312.4	264.3	-	-	312.4	264.3
Statewide property tax	-	487.5	-	-	-	487.5
Statewide education tax	732.3	-	-	-	732.3	-
Meals and rooms tax	112.0	109.9	-	-	112.0	109.9
Other taxes	445.6	484.6	-	-	445.6	484.6
Miscellaneous	38.7	36.1	12.1	14.5	50.8	50.6
<b>Total revenues</b>	<b>3,628.7</b>	<b>3,334.2</b>	<b>204.1</b>	<b>204.8</b>	<b>3,832.7</b>	<b>3,539.0</b>
<b>Expenses</b>						
General government	130.5	98.4	-	-	130.5	98.4
Protection to persons and property	213.4	196.0	-	-	213.4	196.0
Human services	1,392.3	1,299.9	-	-	1,392.3	1,299.9
Employment and training	20.6	26.3	-	-	20.6	26.3
General education	1,446.4	1,149.5	-	-	1,446.4	1,149.5
Natural resources	78.4	72.9	-	-	78.4	72.9
Commerce and community development	35.7	29.9	-	-	35.7	29.9
Transportation	269.1	251.8	-	-	269.1	251.8
Public service enterprises	1.6	1.9	-	-	1.6	1.9
Interest on long-term debt	19.3	22.6	-	-	19.3	22.6
Unemployment compensation	-	-	80.0	99.6	80.0	99.6
Lottery commission	-	-	71.7	72.3	71.7	72.3
Liquor control	-	-	38.2	36.2	38.2	36.2
Other business-type expenses	-	-	3.9	2.7	3.9	2.7
<b>Total expenses</b>	<b>3,607.3</b>	<b>3,149.2</b>	<b>193.8</b>	<b>210.8</b>	<b>3,801.0</b>	<b>3,360.0</b>
Increase in net assets before transfers	21.4	185.0	10.2	(6.0)	31.7	179.0
Transfers net in (out)	20.7	20.0	(20.7)	(20.0)	-	-
<b>Change in net assets</b>	<b>42.1</b>	<b>205.0</b>	<b>(10.5)</b>	<b>(26.0)</b>	<b>31.7</b>	<b>179.0</b>
Net assets, beginning of year	1,055.6	850.6	242.6	268.6	1,298.2	1,119.2
<b>Net assets, end of year</b>	<b>\$ 1,097.8</b>	<b>\$ 1,055.6</b>	<b>\$ 232.1</b>	<b>\$ 242.6</b>	<b>\$ 1,329.9</b>	<b>\$ 1,298.2</b>

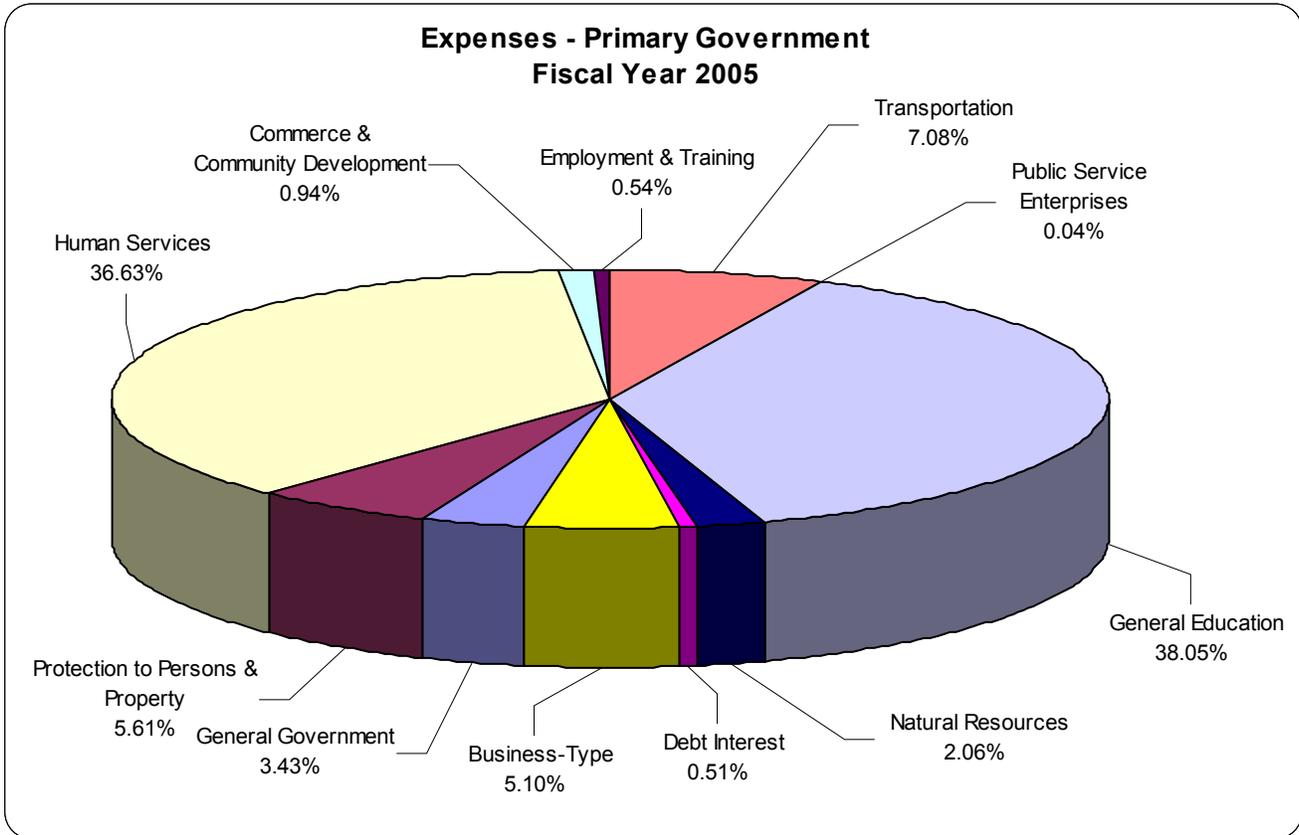
Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2005. Approximately 30 percent comes from other entities and government in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 34 percent of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100%, due to rounding.

The following graph illustrates the percentages of total primary government expenses. The largest portion of expenses is for general education (38 percent of total expenses) which provides for Vermont's elementary, secondary and higher education, as well as statewide education tax assistance in the form of income sensitive rebates to Vermont's citizens. The second most significant expense is for human services (37 percent of total expenses) to provide for Vermont's citizens in need of assistance.



Percentages may not equal 100%, due to rounding.

## FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by both legislative mandates as well as externally imposed restrictions.

### Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2005, the unreserved undesignated fund balance is 52.8 percent of the total fund balance of governmental funds, which is available for spending on governmental programs at the State's discretion in the coming year. The remainder of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, for debt service, for human caseload management, for budget stabilization purposes, or for a variety of other restricted purposes.

At the end of fiscal year 2005, the State's governmental funds reported combined fund balances of \$380.6 million, a decrease of \$18.0 million in comparison with the prior fiscal year. This decrease is primarily

attributable to the results of operations in the Education Fund which reported a decrease of \$15 million in fund balance in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2005, the General Fund's total fund balance was \$163.7 million and the unreserved portion of this fund balance was \$68.6 million. The General Fund's fund balance reservations totaling \$95.1 million include reservations for budget stabilization of \$45.8 million and \$18.5 million for human caseload management. During the fiscal year, the accumulation of financial resources exceeded spending, increasing total fund balance of the General Fund by \$8.9 million. This result of operations is due to the State's fiscal restraint on spending and revenues exceeded estimates.

The Education Fund's total fund balance at the end of fiscal year was \$26 million, a decrease of 36.5 percent in comparison with the prior fiscal year. While Act 68's change to funding the Education Fund resulted in an increase of \$253.5 million in revenues, expenditures exceeded revenues by \$294.2 million and transfers from other funds decreased \$17.3 million. The State had planned to reduce the Education Fund's fund balance through reduced transfers from the General Fund and a reduction to the statewide education tax rates.

### **Proprietary Funds**

The State's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund is the largest of the enterprise funds accounting for 98.2 percent of the \$232.1 million total net assets reported by the enterprise funds. However, the Unemployment Compensation Trust Fund's total net assets decreased by \$10.7 million from \$238.5 million at June 30, 2004 to \$227.9 million at June 30, 2005. This decrease was the result of unemployment benefit distributions exceeding unemployment tax assessments and other income.

The State's *internal service funds'* total net assets at June 30, 2005 were \$17 million, a \$5 million decrease from June 30, 2004. This decrease is primarily due to the Highway Garage Fund's total net assets decrease of \$4.3 million due to the one-year moratorium on a transfer from the Transportation Fund for capital asset funding and the requirement to transfer \$2.6 million to the Transportation Fund to finance construction projects until new federal funding is available in the next state fiscal year. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

### **Fiduciary Funds**

The State's fiduciary funds account for resources held for the benefit of parties outside the government. Net assets of the *pension trust funds* increased by 7.3 percent to \$2.855 billion at June 30, 2005. The Unclaimed Property Fund's total assets balance at June 30, 2005 is \$4 million with an escheat property claims liability estimated at \$3.6 million, resulting in ending net assets of \$363 thousand. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

### **GENERAL FUND BUDGET HIGHLIGHTS**

The General Fund ended fiscal year 2005 with a budgetary surplus allowing \$1.3 million to be transferred to the budget stabilization reserve, fully funding it to its' statutory maximum of \$45.8 million (5 percent of the prior fiscal year's appropriations). The budgetary surplus also allowed an additional \$34.6 million to be added to the final fiscal year 2005 appropriations, per Act 71 of the 2005 Legislative session, and for an additional \$19.6 million to be put in the General Fund Surplus reserve to be appropriated in fiscal year 2006. The \$34.6 million of final fiscal year 2005 budget adjustments were largely used for one-time appropriations for various programs within State government. During the year, actual budgetary-based revenues exceeded the final budgetary estimates by \$54 million, with actual tax revenue exceeding the final budgeted tax revenue estimate by \$62 million. Expenditures were \$40 million less than the final budgeted amount.

## **PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The State investment in capital assets for its governmental and business-type activities as of June 30, 2005, is \$1.210 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. The total increase in the State's investment in capital assets for the current fiscal year was 5.6 percent.

Many component unit, municipal and non-profit capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other organizations. Therefore, while these capital assets are on the financial statements of these other organizations, any general obligation bonds issued by the State to finance these capital assets are reported as a liability of the State's governmental activities. At June 30, 2005, the State had \$259.2 million of general obligation bonds outstanding related to capital assets of these other organizations.

### **Debt Administration**

The State has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990 the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the State. The authorization and issuance of State debt, including the purpose, amount and nature thereof, the method and the manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. Bonds authorized for a given fiscal year may, at the discretion of the State Treasurer with the approval of the Governor, be issued in the fiscal year, in the months of May and June preceding such fiscal year, or in subsequent fiscal years. Bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2005, the State of Vermont's outstanding general obligation bond debt decreased by approximately \$5.7 million. This decrease can be accounted for by the issuance of \$61.8 million of general obligation bonds and accretion of \$2.7 million in principal on the State's capital appreciation bonds offset by the redemption of \$49.4 million and the defeasance of \$20.9 million in outstanding debt. Additional information on the State's long-term indebtedness is contained in Note 8 of the notes to the financial statements.

The State's bond ratings as of November 2005 are as follows: Moody's is Aa1; S&P is AA+; and Fitch is AA+.

## **ECONOMIC FACTORS**

Subsequent to June 30, 2005, the State Treasurer has issued \$45 million of general obligation bonds to finance capital appropriations enacted during the 2005 Legislative session.

Medicaid reform – The State entered into a Medicaid Demonstration Waiver agreement with the United States Department of Health and Human Services' Centers for Medicare and Medicaid Services on September 27, 2005. The *Global Commitment to Health* demonstration is designed to provide Vermont with the flexibility necessary to administer the State's publicly supported health care programs in a member-centered and fiscally sustainable manner. The State's intention was to adopt a health care financing and delivery model which better addresses the complex and varying needs of its beneficiaries and which can be modified quickly in response to changing demographic and economic circumstances. Vermont believes it can provide better health care through the Global Commitment to Health than it can under the existing constraints of the federal Medicaid program. Specifically, Vermont has entered into a Medicaid Demonstration Waiver that will cap the federal spending for Medicaid services in Vermont for five

years, based on a mutually agreed upon base year and trend rate. This arrangement will apply to all Medicaid services in Vermont, with the exception of the Long-term Care Services for Elders and People with Physical Disabilities (which will be managed under a new separate Medicaid Demonstration Waiver), DSH Payments and the SCHIP program. Vermont will be financially at risk for managing costs within the capped amount, and will benefit from any savings accrued due to program efficiencies that are achieved. Under this Demonstration, the Vermont Agency of Human Services has contracted with the Office of Vermont Health Access, which will serve as a publicly sponsored managed care organization (MCO) and adhere to all federal MCO regulations. The savings under the Global Commitment to Health demonstration are expected to reduce projected costs by a total of about \$150 million over five years of which a smaller amount is expected to occur in the initial years.

The Governmental Accounting Standards Board Statement Nos. 43 and 45 set accounting and financial reporting standards for non-pension post-employment benefits beginning in fiscal year 2008. The State of Vermont is presently considering the financial and disclosure considerations for the future implementation of these accounting standards. Under Statement Nos. 43 and 45, for the first time, public sector entities will be expected to report the future costs of these benefits on their balance sheets. The standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is more conservative, and therefore will result in larger yearly cost and liability accruals, if they are funded on a pay-as-you-go basis – as they presently are in Vermont and in many other jurisdictions – and not pre-funded in the same manner as traditional pension benefits.

A recently completed preliminary analysis for the Vermont State Teachers' Retirement System indicated that an annual contribution of approximately \$41 million would have been necessary in fiscal year 2005 to provide pre-funding for the future liability of the system's medical plans at a level that could be deemed adequate under terms of the new GASB standards. Since the State is currently paying approximately \$10 million in health insurance premiums for this coverage, the net increase in annual costs associated with pre-funding would have been approximately \$31 million. A similar preliminary analysis has been prepared for the Vermont State Employees Retirement System and the net increase to provide pre-funding for the future liability of retiree medical plans at a level that could be deemed adequate under terms of the new GASB standards in fiscal year 2005 would have been close to \$25 million.

These factors will likely have an impact on the State's financial position and budget in future fiscal years.

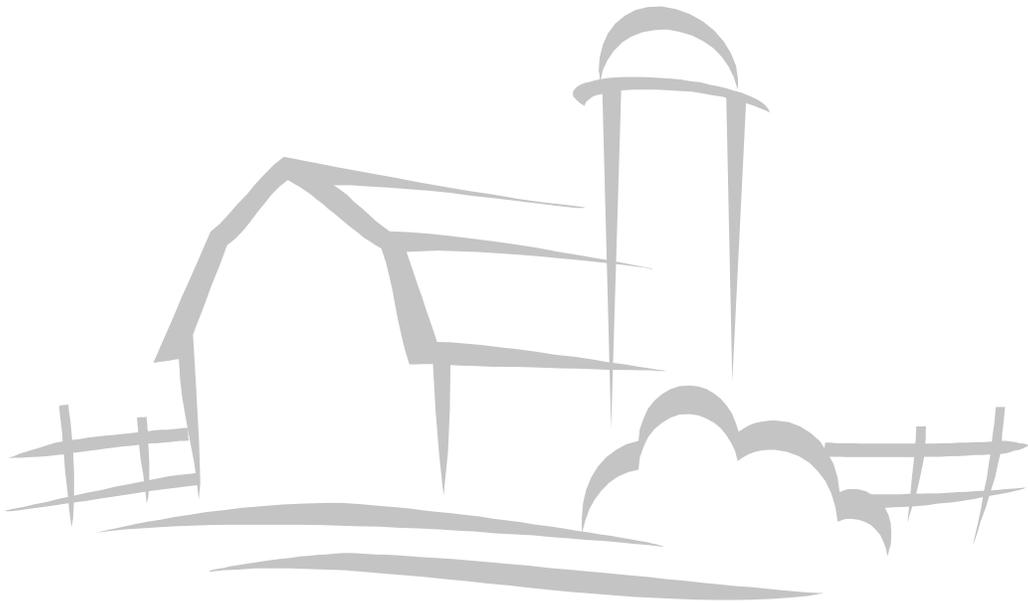
## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State of Vermont's finances for all of Vermont's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

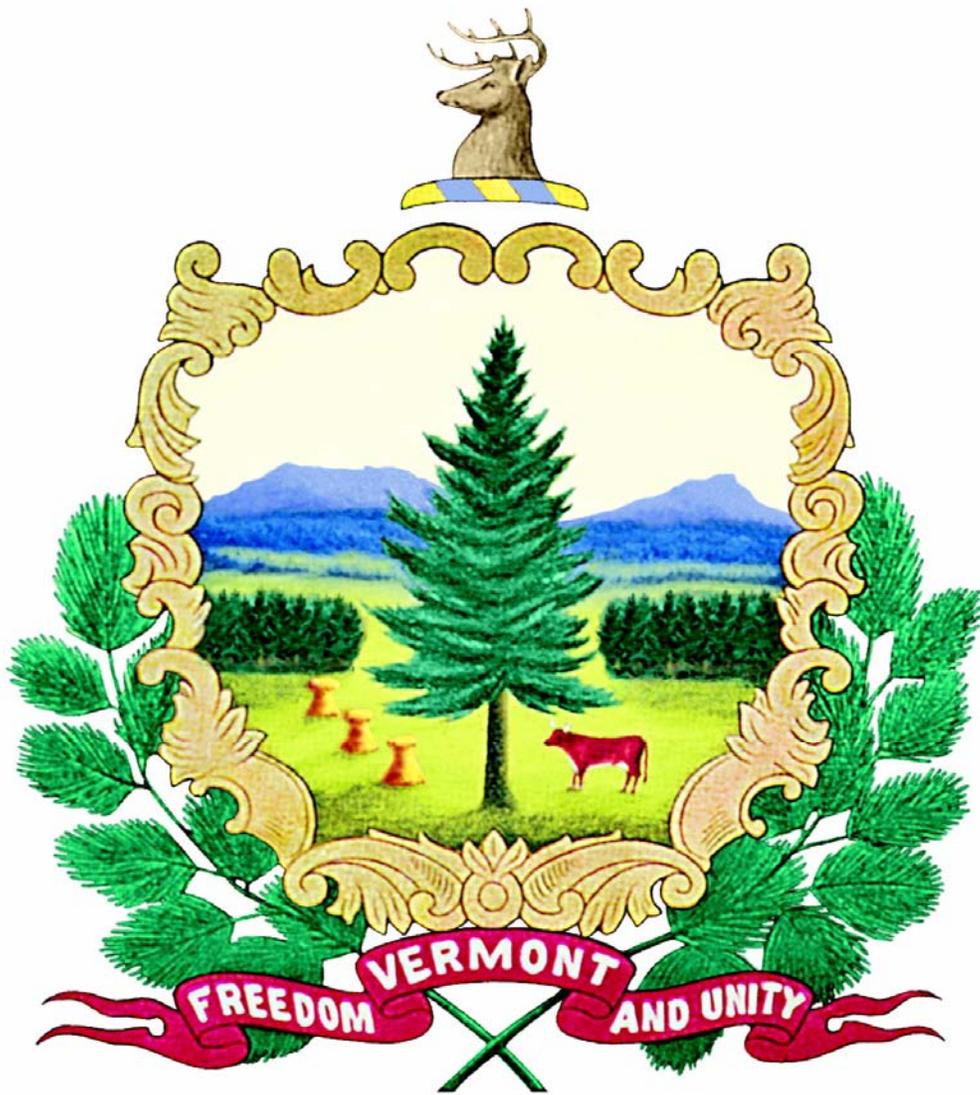
State of Vermont  
Department of Finance and Management  
109 State Street  
Pavilion Building  
Montpelier, Vermont 05609-0401

The State's component units issue their own separately issued financial statements. Their statements may be obtained by directly contacting them at the addresses found in Note 1 to the State's financial statements.

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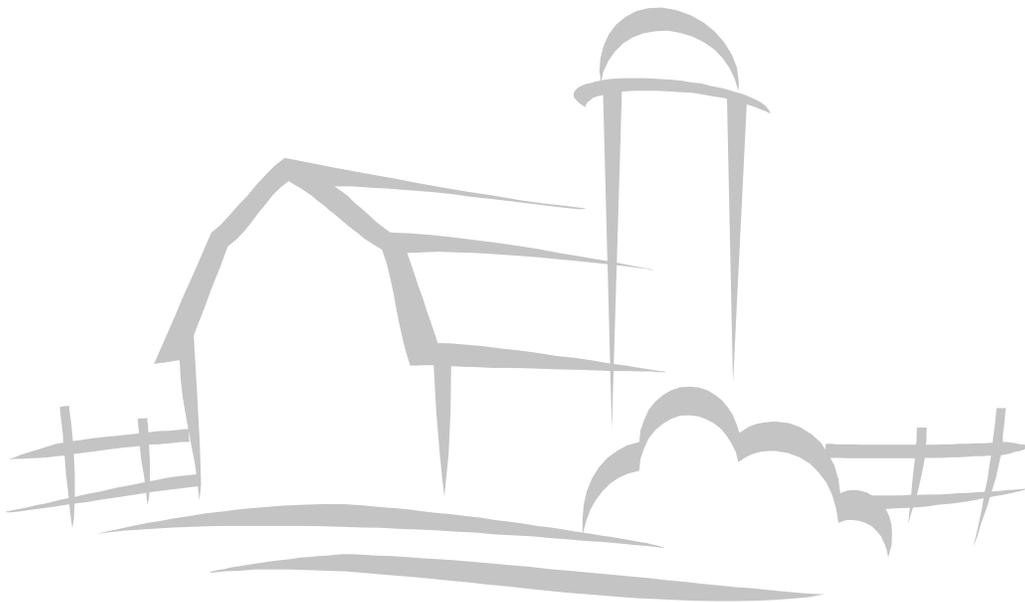


*Vermont*

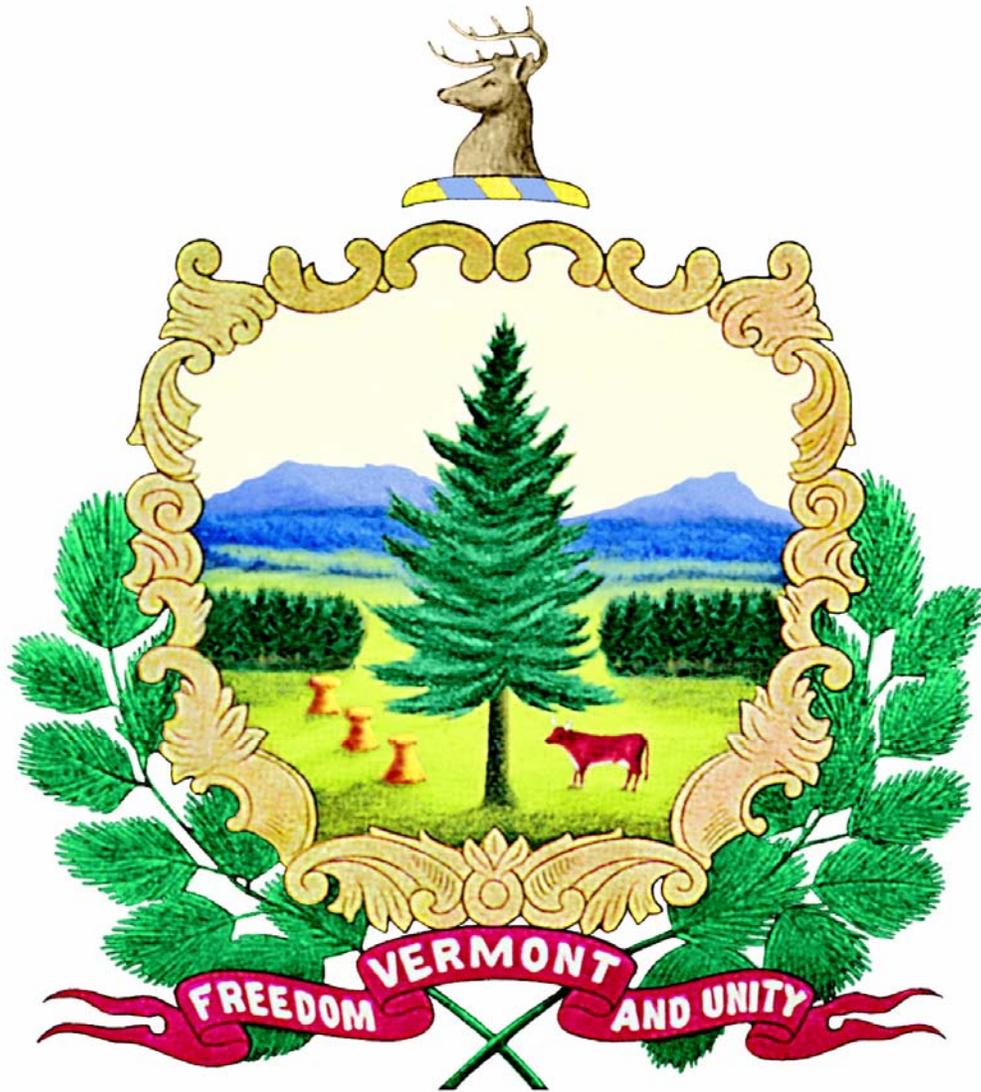


## ***BASIC FINANCIAL STATEMENTS***

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**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**STATE OF VERMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ 310,133,172	\$ 227,075,665	\$ 537,208,837	\$ 461,516,309
Taxes receivable (net).....	138,457,794	8,898,750	147,356,544	-
Loans and notes receivable-current.....	9,267,238	793,088	10,060,326	157,153,459
Federal grants receivable (net).....	134,186,348	77,833	134,264,181	14,431,865
Other receivables (net).....	39,591,034	1,026,587	40,617,621	84,818,921
Investments.....	31,824,135	-	31,824,135	84,161,418
Inventories.....	2,196,168	5,078,918	7,275,086	2,248,744
Internal balances.....	1,305,140	(1,305,140)	-	-
Receivable from component units.....	1,139,739	-	1,139,739	-
Other current assets.....	1,037,012	112,729	1,149,741	9,385,478
Total current assets.....	<u>669,137,780</u>	<u>241,758,430</u>	<u>910,896,210</u>	<u>813,716,194</u>
Noncurrent assets:				
Cash and cash equivalents.....	-	957,903	957,903	11,733,120
Taxes receivable.....	48,598,666	-	48,598,666	-
Other receivables.....	10,027,535	65,329	10,092,864	-
Notes and loans receivable.....	139,474,196	792,486	140,266,682	1,904,878,167
Investments.....	29,472,547	3,544,094	33,016,641	366,980,889
Other noncurrent assets.....	10,232,248	-	10,232,248	27,428,336
Capital assets:				
Land.....	68,611,339	-	68,611,339	25,268,712
Construction in progress.....	445,486,411	-	445,486,411	87,203,969
Works of art.....	111,521	-	111,521	-
Capital assets being depreciated:				
Infrastructure.....	1,136,348,466	-	1,136,348,466	17,824,681
Property, plant and equipment.....	434,810,464	1,206,489	436,016,953	580,513,912
Less accumulated depreciation.....	(875,569,272)	(722,854)	(876,292,126)	(293,808,566)
Total capital assets, net of depreciation.....	<u>1,209,798,929</u>	<u>483,635</u>	<u>1,210,282,564</u>	<u>417,002,708</u>
Total noncurrent assets.....	<u>1,447,604,121</u>	<u>5,843,447</u>	<u>1,453,447,568</u>	<u>2,728,023,220</u>
Total assets.....	<u>2,116,741,901</u>	<u>247,601,877</u>	<u>2,364,343,778</u>	<u>3,541,739,414</u>

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities.....	216,141,751	9,952,424	226,094,175	73,873,380
Income tax refunds payable.....	60,499,980	-	60,499,980	-
Payable to primary government.....	-	-	-	1,139,739
Accrued interest payable.....	6,376,267	-	6,376,267	4,677,485
Bonds, notes and leases payable.....	49,866,311	-	49,866,311	165,737,155
Compensated absences.....	17,848,807	196,400	18,045,207	-
Claims and judgments.....	11,085,129	-	11,085,129	-
Current portion of other long-term liabilities.....	1,237,288	-	1,237,288	1,505,955
Deferred revenue.....	16,081,470	1,096,074	17,177,544	24,075,936
Total current liabilities	<u>379,137,003</u>	<u>11,244,898</u>	<u>390,381,901</u>	<u>271,009,650</u>
Long-term liabilities:				
Lottery prize awards payable.....	-	4,053,704	4,053,704	-
Bonds, notes and leases payable.....	414,394,196	-	414,394,196	2,372,260,891
Compensated absences.....	11,385,475	117,941	11,503,416	-
Claims and judgments.....	21,769,197	-	21,769,197	-
Other long-term liabilities.....	192,298,311	-	192,298,311	40,926,102
Total long-term liabilities.....	<u>639,847,179</u>	<u>4,171,645</u>	<u>644,018,824</u>	<u>2,413,186,993</u>
Total liabilities.....	<u>1,018,984,182</u>	<u>15,416,543</u>	<u>1,034,400,725</u>	<u>2,684,196,643</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	1,055,464,625	483,635	1,055,948,260	171,458,877
Restricted for:				
Unemployment compensation.....	-	227,855,775	227,855,775	-
Component unit net assets.....	-	-	-	470,244,961
Funds held in permanent investments:				
Expendable.....	4,413,943	-	4,413,943	-
Nonexpendable.....	7,416,453	-	7,416,453	-
Budget stabilization.....	79,770,307	-	79,770,307	-
Capital projects.....	20,341,890	-	20,341,890	-
Unrestricted.....	(69,649,499)	3,845,924	(65,803,575)	215,838,933
Total net assets.....	<u>\$ 1,097,757,719</u>	<u>\$ 232,185,334</u>	<u>\$ 1,329,943,053</u>	<u>\$ 857,542,771</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental activities:				
General government.....	\$ 130,521,043	\$ 59,498,045	\$ 2,471,843	\$ -
Protection to persons & property.....	213,426,040	78,017,142	48,883,498	-
Human services.....	1,392,265,594	20,716,612	805,708,985	-
Employment & training.....	20,582,854	(341,590)	19,214,527	-
General education.....	1,446,411,207	2,356,695	106,251,304	-
Natural resources.....	78,421,902	24,437,759	20,296,599	7,730,624
Commerce & community development.....	35,651,341	583,952	11,146,084	-
Transportation.....	269,066,282	69,299,051	18,604,579	122,914,959
Public service enterprises.....	1,649,863	1,756,310	-	-
Interest on long-term debt.....	19,306,820	-	-	-
Total governmental activities.....	<u>3,607,302,946</u>	<u>256,323,976</u>	<u>1,032,577,419</u>	<u>130,645,583</u>
Business-type activities:				
Vermont Lottery Commission.....	71,719,711	92,599,609	-	-
Liquor Control.....	38,155,229	39,209,269	-	-
Unemployment Compensation.....	79,967,905	57,249,620	-	-
Other.....	3,872,621	2,919,253	-	-
Total business-type activities.....	<u>193,715,466</u>	<u>191,977,751</u>	<u>0</u>	<u>0</u>
Total primary government.....	<u>\$ 3,801,018,412</u>	<u>\$ 448,301,727</u>	<u>\$ 1,032,577,419</u>	<u>130,645,583</u>
<b>Component Units:</b>				
Vermont Student Assistance Corporation.....	\$ 130,083,000	\$ 65,044,000	\$ 66,741,000	\$ -
University of Vermont and State Agricultural College.....	423,317,000	215,925,000	189,675,000	12,634,000
Vermont State Colleges.....	125,540,113	76,556,436	48,545,514	3,935,027
Other.....	58,683,189	41,326,019	12,342,818	49,013
Total component units.....	<u>\$ 737,623,302</u>	<u>\$ 398,851,455</u>	<u>\$ 317,304,332</u>	<u>\$ 16,618,040</u>

General Revenues:

Taxes:

Personal and corporate income.....
Sales and use.....
Meals and rooms.....
Purchase and use.....
Motor fuel.....
Statewide property.....
Other taxes.....
Total taxes.....
Unrestricted investment earnings.....
Tobacco litigation settlement.....
Additions to non-expendable endowments.....
Miscellaneous.....
Capital asset transfers.....
Transfers.....
Total general revenues and transfers.....

Changes in net assets.....

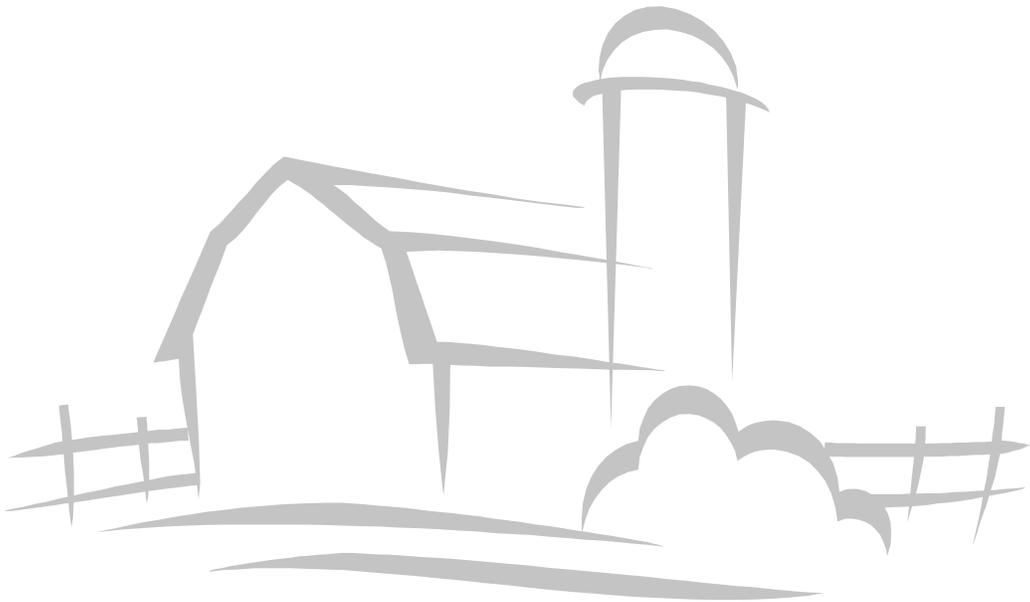
Net Assets - Beginning, restated (see Note 10)....

Net Assets - Ending.....

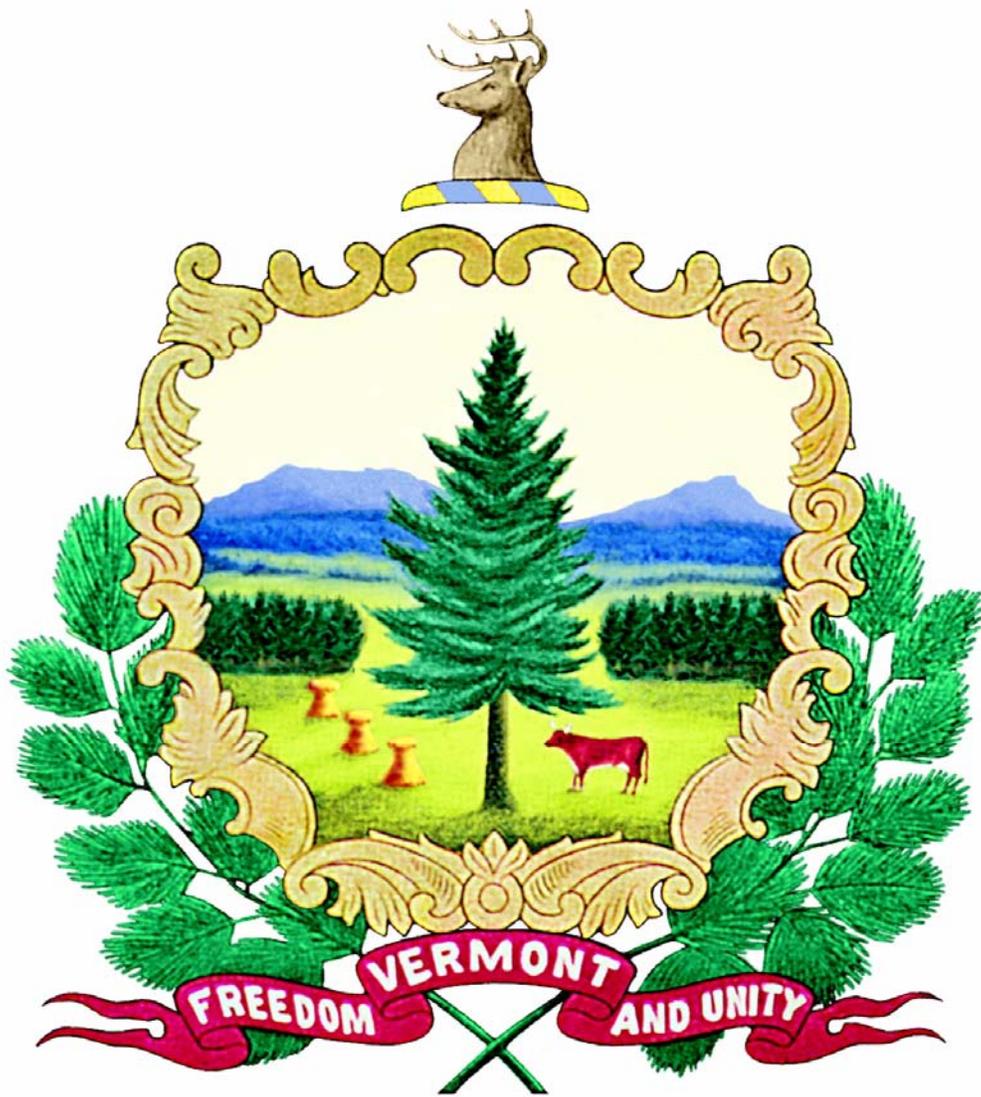
The accompanying notes are an integral part of these financial statements.

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
\$ (68,551,155)	\$ -	\$ (68,551,155)	\$ -
(86,525,400)	-	(86,525,400)	-
(565,839,997)	-	(565,839,997)	-
(1,709,917)	-	(1,709,917)	-
(1,337,803,208)	-	(1,337,803,208)	-
(25,956,920)	-	(25,956,920)	-
(23,921,305)	-	(23,921,305)	-
(58,247,693)	-	(58,247,693)	-
106,447	-	106,447	-
(19,306,820)	-	(19,306,820)	-
<u>(2,187,755,968)</u>	<u>0</u>	<u>(2,187,755,968)</u>	<u>0</u>
-	20,879,898	20,879,898	-
-	1,054,040	1,054,040	-
-	(22,718,285)	(22,718,285)	-
-	(953,368)	(953,368)	-
<u>0</u>	<u>(1,737,715)</u>	<u>(1,737,715)</u>	<u>0</u>
<u>(2,187,755,968)</u>	<u>(1,737,715)</u>	<u>(2,189,493,683)</u>	<u>0</u>
-	-	-	1,702,000
-	-	-	(5,083,000)
-	-	-	3,496,864
-	-	-	(4,965,339)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,849,475)</u>
568,058,897	-	568,058,897	-
312,395,227	-	312,395,227	-
111,979,770	-	111,979,770	-
84,046,573	-	84,046,573	-
67,334,972	-	67,334,972	-
732,330,555	-	732,330,555	-
294,257,364	-	294,257,364	12,604,000
<u>2,170,403,358</u>	<u>0</u>	<u>2,170,403,358</u>	<u>12,604,000</u>
6,664,257	12,388,648	19,052,905	45,836,899
26,205,607	-	26,205,607	-
-	-	-	360,219
5,875,143	(274,809)	5,600,334	(294,835)
-	(39,928)	(39,928)	-
20,722,967	(20,722,967)	-	-
<u>2,229,871,332</u>	<u>(8,649,056)</u>	<u>2,221,222,276</u>	<u>58,506,283</u>
42,115,364	(10,386,771)	31,728,593	53,656,808
<u>1,055,642,355</u>	<u>242,572,105</u>	<u>1,298,214,460</u>	<u>803,885,963</u>
<u>\$ 1,097,757,719</u>	<u>\$ 232,185,334</u>	<u>\$ 1,329,943,053</u>	<u>\$ 857,542,771</u>

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*Vermont*



**GOVERNMENTAL FUNDS  
FINANCIAL STATEMENTS**

**STATE OF VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<b>General Fund</b>	<b>Transportation Fund</b>	<b>Education Fund</b>
<b>ASSETS:</b>			
Cash and cash equivalents.....	\$ 106,427,443	\$ 16,658,704	\$ 29,075,192
Investments.....	-	-	-
Receivables:			
Taxes receivable (net).....	160,883,447	8,286,183	13,839,749
Notes and loans receivable.....	6,919,846	717,430	-
Other receivables (net).....	2,668,431	7,213,020	-
Intergovernmental receivable - federal government (net).....	-	17,195,155	-
Due from other funds.....	531,225	494,640	35,895
Due from component units.....	1,050,247	-	-
Interfund receivable.....	31,219,019	-	-
Advances to other funds.....	323,700	-	-
Restricted cash.....	-	2,328,685	-
	<b>\$ 310,023,358</b>	<b>\$ 52,893,817</b>	<b>\$ 42,950,836</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable.....	\$ 14,107,192	\$ 16,056,091	\$ 13,436,511
Accrued liabilities.....	11,237,271	5,344,475	-
Retainage payable.....	399,746	3,056,671	-
Due to other funds.....	25,935,779	46,902	101,846
Tax refunds payable.....	1,534,994	-	-
Deferred revenue.....	93,140,208	6,161,226	3,407,080
	<b>146,355,190</b>	<b>30,665,365</b>	<b>16,945,437</b>
 <b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances.....	3,737,918	354	-
Budget stabilization.....	45,770,774	11,098,230	22,901,303
Debt service.....	121,684	1,756	-
Advances and notes receivable.....	7,243,546	-	-
General fund surplus.....	19,641,178	-	-
Human caseload management.....	18,543,422	-	-
Endowments.....	-	-	-
Unreserved:			
Designated for specific purposes.....	-	-	-
Undesignated.....	68,609,646	11,128,112	3,104,096
	<b>163,668,168</b>	<b>22,228,452</b>	<b>26,005,399</b>
	<b>\$ 310,023,358</b>	<b>\$ 52,893,817</b>	<b>\$ 42,950,836</b>

The accompanying notes are an integral part of these financial statements.

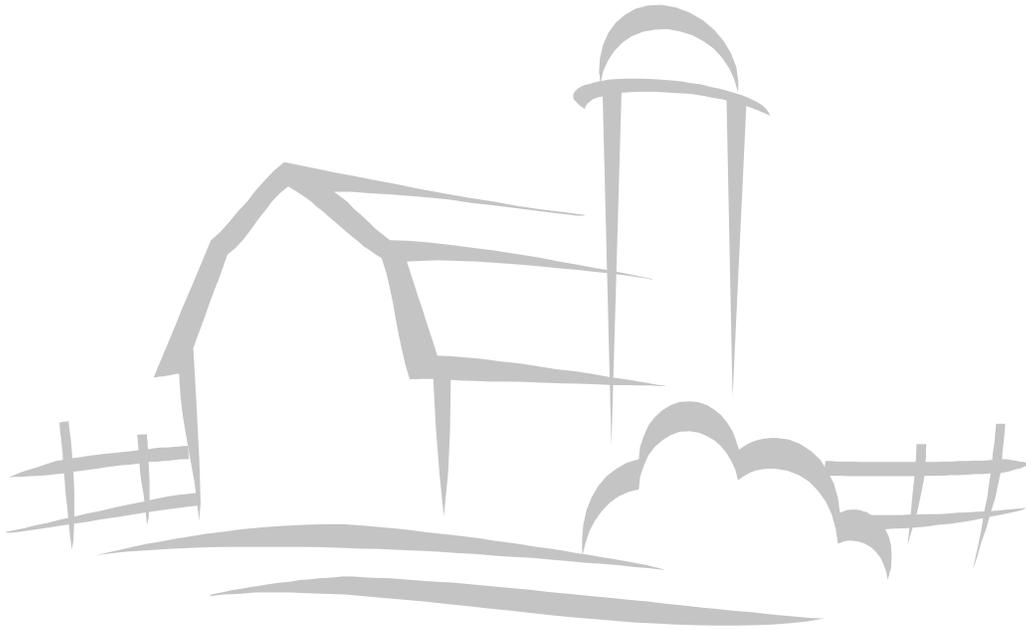
<u>Special Fund</u>	<u>Federal Revenue Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 59,508,806	\$ 15,850,788	\$ 35,384,773	\$ 262,905,706
33,226,143	16,000,000	12,070,539	61,296,682
3,962,729	-	84,352	187,056,460
190,000	140,914,158	-	148,741,434
18,665,843	16,212,783	384,714	45,144,791
-	116,577,700	413,493	134,186,348
22,539,480	129,189	5,421	23,735,850
89,492	-	-	1,139,739
-	-	-	31,219,019
-	-	-	323,700
855,000	-	-	3,183,685
<b>\$ 139,037,493</b>	<b>\$ 305,684,618</b>	<b>\$ 48,343,292</b>	<b>\$ 898,933,414</b>
\$ 51,179,176	\$ 84,133,133	\$ 3,975,109	\$ 182,887,212
3,589,550	5,994,198	498,140	26,663,634
56,563	451,851	634,972	4,599,803
34,067	932,710	23,697	27,075,001
-	-	-	1,534,994
11,859,822	160,956,718	19,041	275,544,095
<b>66,719,178</b>	<b>252,468,610</b>	<b>5,150,959</b>	<b>518,304,739</b>
3,836,383	12,765,821	5,801,109	26,141,585
-	-	-	79,770,307
-	-	-	123,440
-	-	-	7,243,546
-	-	-	19,641,178
-	-	-	18,543,422
-	-	7,416,453	7,416,453
-	-	20,816,577	20,816,577
68,481,932	40,450,187	9,158,194	200,932,167
<b>72,318,315</b>	<b>53,216,008</b>	<b>43,192,333</b>	<b>380,628,675</b>
<b>\$ 139,037,493</b>	<b>\$ 305,684,618</b>	<b>\$ 48,343,292</b>	<b>\$ 898,933,414</b>

**State of Vermont**  
**Reconciliation of Governmental Fund Balances**  
**to the Statement of Net Assets - Governmental Activities**  
**June 30, 2005**

<b>Total fund balances from previous page .....</b>		<b>\$ 380,628,675</b>
<p>Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:</p>		
Land.....	68,585,183	
Construction in progress.....	445,486,411	
Depreciable capital assets and infrastructure, net of \$845,657,390 of accumulated depreciation.....	666,003,219	
Capital assets, net of accumulated depreciation.....		1,180,074,813
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....</p>		
		16,866,429
<p>Amount presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting include:</p>		
Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the governmental funds.....		260,903,953
Deferred charge for unamortized bond issuance costs.....		1,496,831
Deferred for unamortized loss on sale of refunding bonds.....		8,735,417
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:</p>		
Bonded debt.....	(464,260,507)	
Accrued interest payable on bonds.....	(6,376,267)	
Compensated absences (net of internal service funds' liability).....	(27,811,040)	
Tax refunds payable.....	(58,964,986)	
Other long-term liabilities.....	(193,535,599)	
Long-term liabilities.....		(750,948,399)
<b>Net assets of governmental activities.....</b>		<b>\$ <u>1,097,757,719</u></b>

The accompanying notes are an integral part of these financial statements.

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*Vermont*

**STATE OF VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>
<b>REVENUES:</b>			
Taxes:			
Personal income tax.....	\$ 499,007,204	\$ -	\$ -
Corporate income tax.....	61,154,296	-	-
Sales and use tax.....	207,630,347	-	103,786,470
Meals and rooms.....	113,036,649	-	-
Motor fuel tax.....	-	64,658,378	-
Purchase and use tax.....	-	56,042,030	28,004,543
Statewide education tax.....	-	-	732,330,555
Other taxes.....	144,313,539	16,775,515	1,443,832
Earnings of departments:			
Fees.....	12,359,131	3,698,537	-
Rents and leases.....	-	810,042	-
Sales of services.....	1,793,867	131,139	-
Federal grants.....	-	141,519,538	-
Fines, forfeits and penalties.....	4,397,655	8,832,147	-
Investment income.....	2,549,901	92,826	65,694
Licenses:			
Business.....	2,806,261	363,617	-
Non-business.....	93,432	57,861,495	-
Special assessments.....	8,119	-	-
Other revenues.....	174,822	502,976	-
<b>Total revenues.....</b>	<b><u>1,049,325,223</u></b>	<b><u>351,288,240</u></b>	<b><u>865,631,094</u></b>
<b>EXPENDITURES:</b>			
General government.....	40,762,631	9,622,803	-
Protection to persons and property.....	75,347,287	28,072,723	-
Human services.....	326,496,355	1,643,757	-
Employment and training.....	1,408,220	-	-
General education.....	128,356,004	4,223,719	1,159,872,083
Natural resources.....	20,815,004	1,213,255	-
Commerce and community development.....	17,023,099	-	-
Transportation.....	-	309,793,752	-
Public service enterprises.....	-	-	-
Debt service.....	62,608,601	2,356,088	-
<b>Total expenditures.....</b>	<b><u>672,817,201</u></b>	<b><u>356,926,097</u></b>	<b><u>1,159,872,083</u></b>
<b>Excess of revenues over (under) expenditures.....</b>	<b><u>376,508,022</u></b>	<b><u>(5,637,857)</u></b>	<b><u>(294,240,989)</u></b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from the sale of bonds.....	-	-	-
Premium on sale of bonds.....	91,689	1,756	-
Proceeds from refunded bond escrow restructuring.....	608,331	-	-
Proceeds from the sale of refunding bonds.....	22,431,596	-	-
Payment to bond escrow agent.....	(22,431,596)	-	-
Transfers in.....	19,131,344	9,043,239	279,275,079
Transfers out.....	(387,397,014)	(2,621,998)	-
<b>Total other financing sources (uses).....</b>	<b><u>(367,565,650)</u></b>	<b><u>6,422,997</u></b>	<b><u>279,275,079</u></b>
<b>Net change in fund balances.....</b>	<b>8,942,372</b>	<b>785,140</b>	<b>(14,965,910)</b>
<b>Fund balances, July 1.....</b>	<b><u>154,725,796</u></b>	<b><u>21,443,312</u></b>	<b><u>40,971,309</u></b>
<b>Fund balances, June 30.....</b>	<b><u>\$ 163,668,168</u></b>	<b><u>\$ 22,228,452</u></b>	<b><u>\$ 26,005,399</u></b>

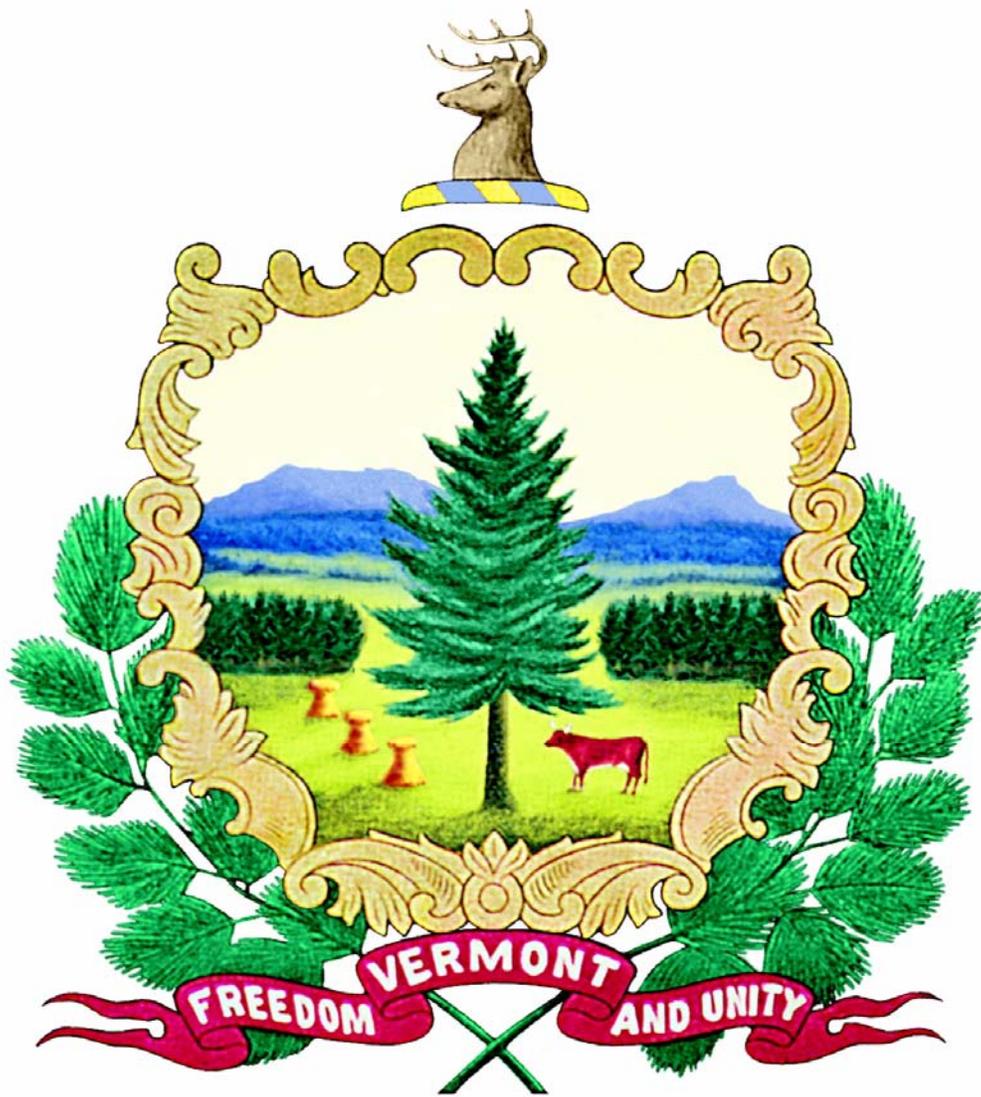
The accompanying notes are an integral part of these financial statements.

<u>Special Fund</u>	<u>Federal Revenue Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 499,007,204
-	-	-	61,154,296
-	-	-	311,416,817
-	-	-	113,036,649
1,671,181	-	1,013,806	67,343,365
-	-	-	84,046,573
-	-	-	732,330,555
129,262,627	-	-	291,795,513
42,223,347	-	9,610	58,290,625
2,645,331	-	43,194	3,498,567
7,827,335	-	-	9,752,341
-	1,003,323,852	4,843,473	1,149,686,863
6,107,857	-	45,234	19,382,893
3,852,919	468,887	875,339	7,905,566
10,447,655	-	1,300	13,618,833
2,635,161	-	5,688,366	66,278,454
25,144,236	-	1,941	25,154,296
62,708,398	5,127,503	623,635	69,137,334
<b>294,526,047</b>	<b>1,008,920,242</b>	<b>13,145,898</b>	<b>3,582,836,744</b>
17,052,839	2,199,579	24,501,973	94,139,825
70,859,608	47,959,813	7,604,937	229,844,368
303,013,536	766,420,767	893,595	1,398,468,010
398,855	19,138,962	-	20,946,037
15,237,339	106,014,788	9,992,779	1,423,696,712
23,216,506	25,006,057	18,978,051	89,228,873
6,771,710	11,231,352	872,646	35,898,807
267,521	-	2,532,223	312,593,496
1,649,863	-	-	1,649,863
2,388,010	-	-	67,352,699
<b>440,855,787</b>	<b>977,971,318</b>	<b>65,376,204</b>	<b>3,673,818,690</b>
<b>(146,329,740)</b>	<b>30,948,924</b>	<b>(52,230,306)</b>	<b>(90,981,946)</b>
-	-	41,000,000	41,000,000
-	-	-	93,445
48,312	-	-	656,643
178,860	-	-	22,610,456
-	-	-	(22,431,596)
164,396,161	3,441,811	2,922,311	478,209,945
(14,472,922)	(39,124,302)	(3,576,811)	(447,193,047)
<b>150,150,411</b>	<b>(35,682,491)</b>	<b>40,345,500</b>	<b>72,945,846</b>
<b>3,820,671</b>	<b>(4,733,567)</b>	<b>(11,884,806)</b>	<b>(18,036,100)</b>
<b>68,497,644</b>	<b>57,949,575</b>	<b>55,077,139</b>	<b>398,664,775</b>
<b>\$ 72,318,315</b>	<b>\$ 53,216,008</b>	<b>\$ 43,192,333</b>	<b>\$ 380,628,675</b>

**State of Vermont**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds to the**  
**Statement of Activities - Governmental Activities**  
**For the Fiscal Year Ended June 30, 2005**

<b>Total net change in fund balances from the previous page</b> .....	\$	(18,036,100)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (net of internal service funds).</p>		
Capital outlay/functional expenditures and expensed net book value of disposed capital assets .....		116,361,117
Depreciation expense .....		(55,941,144)
<p>Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal repayment.....		49,385,000
Payment to refunding bond escrow agent.....		22,431,596
<p>Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.</p>		
Bonds issued.....		(41,000,000)
Refunding bonds issued.....		(20,805,000)
Bond premium is amortized over the life of the bonds in the statement of activities.....		(1,318,256)
Refunding bonds gain amortized over the life of the refunded bonds.....		(1,091,927)
<p>Bond issuance costs are reported as expenditures in the governmental funds, but this cost is amortized over the life of the bonds in the statement of activities.....</p>		
		328,561
<p>Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds.....</p>		
		20,065,351
<p>Estimated personal income tax refunds that are not due and payable are not governmental fund liabilities.....</p>		
		(3,281,829)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net decrease in accrued interest payable.....		1,257,475
Accreted interest on capital appreciation bonds.....		(2,741,957)
Increase in compensated absences.....		(1,057,893)
Increase in employer pension related costs.....		(21,399,786)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.....</p>		
		(5,057,123)
<p>Notes and loans issued by governmental funds are reported as an expenditure in governmental funds and repayments are reported as a revenue in the governmental funds, but the issuances and repayment increase or decrease notes and loans receivable in the statement of net assets.....</p>		
		4,017,279
<b>Total changes in net assets of governmental activities as reported on the statement of activities</b> .....	<b>\$</b>	<b>42,115,364</b>

The accompanying notes are an integral part of these financial statements.



***PROPRIETARY FUNDS  
FINANCIAL STATEMENTS***

STATE OF VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents.....	\$ 221,170,150	\$ 2,032,290	\$ 2,488,797
Receivables:			
Taxes receivable (net of allowance for uncollectibles).....	8,898,750	-	-
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles).....	200,016	105,205	512,799
Loans receivable.....	-	-	-
Due from other funds.....	-	-	11,632
Intergovernmental receivable - federal.....	77,833	-	-
Inventories, at cost.....	-	4,099,940	597,611
Prepaid expenses.....	-	-	-
<b>Total current assets.....</b>	<b>230,346,749</b>	<b>6,237,435</b>	<b>3,610,839</b>
<b>Restricted and Noncurrent Assets:</b>			
Cash-subscription reserve fund.....	-	-	-
Investments.....	-	-	3,544,094
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	-
Imprest cash and change fund - advances.....	-	5,700	300,000
<b>Total restricted &amp; noncurrent assets.....</b>	<b>0</b>	<b>5,700</b>	<b>3,844,094</b>
<b>Capital Assets:</b>			
Land.....	-	-	-
Machinery, equipment and buildings.....	-	909,528	269,972
Less accumulated depreciation.....	-	(568,729)	(129,553)
<b>Total capital assets, net of depreciation .....</b>	<b>0</b>	<b>340,799</b>	<b>140,419</b>
<b>Total assets.....</b>	<b>230,346,749</b>	<b>6,583,934</b>	<b>7,595,352</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable.....	1,656,244	5,057,691	1,372,372
Accrued salaries and benefits.....	-	359,123	127,771
Claims payable.....	-	-	-
Due to lottery winners.....	-	-	470,847
Due to agents.....	-	257,940	-
Due to other funds.....	19,399	427,804	-
Interfund payable.....	-	-	-
Future and unclaimed prizes payable.....	-	-	1,349,503
Deferred revenue.....	-	-	167,687
Other Liabilities.....	815,331	-	-
<b>Total current liabilities.....</b>	<b>2,490,974</b>	<b>6,102,558</b>	<b>3,488,180</b>
<b>Liabilities Payable From Restricted Assets:</b>			
Unexpired subscriptions.....	-	-	-
Due to lottery winners.....	-	-	2,704,201
Advances from other funds.....	-	5,700	300,000
<b>Total liabilities payable from restricted assets.....</b>	<b>0</b>	<b>5,700</b>	<b>3,004,201</b>
<b>Total liabilities.....</b>	<b>2,490,974</b>	<b>6,108,258</b>	<b>6,492,381</b>
<b>NET ASSETS</b>			
Invested in capital assets.....	-	340,799	140,419
Restricted for unemployment compensation benefits.....	227,855,775	-	-
Unrestricted.....	-	134,877	962,552
<b>Total net assets.....</b>	<b>\$ 227,855,775</b>	<b>\$ 475,676</b>	<b>\$ 1,102,971</b>

The accompanying notes are an integral part of these financial statements.

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>	
\$ 1,384,428	\$ 227,075,665	\$ 44,028,681	
-	8,898,750	-	
7,026	7,026	-	
201,541	1,019,561	11,642,190	
793,088	793,088	-	
19,399	31,031	115,783	
-	77,833	-	
381,367	5,078,918	2,196,168	
112,729	112,729	1,037,012	
<b>2,899,578</b>	<b>243,094,601</b>	<b>59,019,834</b>	
649,303	649,303	-	
-	3,544,094	-	
792,486	792,486	-	
65,329	65,329	-	
2,900	308,600	15,100	
<b>1,510,018</b>	<b>5,359,812</b>	<b>15,100</b>	
-	-	26,156	
26,989	1,206,489	59,609,842	
(24,572)	(722,854)	(29,911,882)	
<b>2,417</b>	<b>483,635</b>	<b>29,724,116</b>	
<b>4,412,013</b>	<b>248,938,048</b>	<b>88,759,050</b>	
59,537	8,145,844	4,659,410	
89,909	576,803	2,620,693	
-	-	32,854,326	
-	470,847	-	
-	257,940	-	
-	447,203	119,817	
671,006	671,006	30,091,309	
-	1,349,503	-	
279,084	446,771	1,441,328	
-	815,331	-	
<b>1,099,536</b>	<b>13,181,248</b>	<b>71,786,883</b>	
649,303	649,303	-	
-	2,704,201	-	
2,900	308,600	15,100	
<b>652,203</b>	<b>3,662,104</b>	<b>15,100</b>	
<b>1,751,739</b>	<b>16,843,352</b>	<b>71,801,983</b>	
2,417	483,635	29,724,116	
-	227,855,775	-	
2,657,857	3,755,286	(12,767,049)	
<b>\$ 2,660,274</b>	<b>\$ 232,094,696</b>	<b>\$ 16,957,067</b>	

Adjustment to reflect the consolidation of internal service activities related to enterprise funds .....  
Net Assets - Business-type Activities.....

90,638  
\$ 232,185,334

STATE OF VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>Operating Revenues</b>			
Charges for sales and services.....	\$ 49,773,878	\$ 37,759,228	\$ -
Ticket sales.....	-	-	92,589,803
Rental income.....	-	-	-
License fees.....	-	217,128	9,806
Federal donated property.....	-	-	-
Advertising revenue.....	-	-	-
Other operating revenues.....	7,475,742	1,232,913	-
<b>Total operating revenues.....</b>	<b>57,249,620</b>	<b>39,209,269</b>	<b>92,599,609</b>
<b>Operating Expenses</b>			
Cost of sales and services.....	74,389,786	30,314,680	-
Lottery ticket prizes.....	-	-	57,895,819
Agents commissions and fees.....	-	-	5,423,735
Megabucks expenses.....	-	-	2,237,573
Lottery tickets.....	-	-	1,178,335
Salaries and wages.....	-	-	1,105,961
Insurance premium expense.....	-	-	-
Transportation.....	-	-	183,059
Contractual services.....	-	-	-
Repairs & Maintenance.....	-	-	-
Warehouse expense.....	-	931,343	-
Depreciation.....	-	142,866	85,114
Rentals.....	-	-	53,137
Utilities.....	-	-	-
Equipment.....	-	-	-
Stores and agencies expense.....	-	4,012,990	-
Promotions and advertising.....	-	-	414,601
Administration.....	-	1,396,251	2,455,225
Inspection and enforcement expense.....	-	1,370,820	-
Supplies.....	-	-	25,142
Distribution and postage.....	-	-	-
Travel.....	-	-	-
Loss on bad debts.....	-	-	-
Other operating expenses.....	5,578,119	(421)	672,057
<b>Total operating expenses.....</b>	<b>79,967,905</b>	<b>38,168,529</b>	<b>71,729,758</b>
<b>Operating income (loss).....</b>	<b>(22,718,285)</b>	<b>1,040,740</b>	<b>20,869,851</b>
<b>Non-Operating Revenues (Expenses)</b>			
Gain (loss) on disposal of capital assets.....	-	(9,677)	(10,393)
Other.....	-	-	-
Investment income (expense).....	12,344,545	349	16,989
<b>Total non-operating revenues (expenses).....</b>	<b>12,344,545</b>	<b>(9,328)</b>	<b>6,596</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>(10,373,740)</b>	<b>1,031,412</b>	<b>20,876,447</b>
Capital contributions from (to) other funds.....	-	(13,060)	(26,868)
Transfer in.....	-	-	-
Transfer out.....	(318,157)	(278,525)	(20,444,442)
<b>Changes in net assets.....</b>	<b>(10,691,897)</b>	<b>739,827</b>	<b>405,137</b>
<b>Total net assets, July 1.....</b>	<b>238,547,672</b>	<b>(264,151)</b>	<b>697,834</b>
<b>Total net assets, June 30.....</b>	<b>\$ 227,855,775</b>	<b>\$ 475,676</b>	<b>\$ 1,102,971</b>

The accompanying notes are an integral part of these financial statements.

<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Non-major Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>	
\$ 1,806,713	\$ 89,339,819	\$ 161,977,181	
-	92,589,803	-	
-	0	11,074,396	
-	226,934	-	
458,746	458,746	-	
504,659	504,659	-	
149,135	8,857,790	2,366,925	
<b>2,919,253</b>	<b>191,977,751</b>	<b>175,418,502</b>	
1,867,724	106,572,190	115,380,723	
-	57,895,819	-	
-	5,423,735	-	
-	2,237,573	-	
-	1,178,335	-	
934,748	2,040,709	23,393,230	
317	317	5,653,340	
40,894	223,953	153,637	
867	867	2,638,444	
949	949	4,221,196	
-	931,343	-	
158	228,138	5,791,623	
19,440	72,577	1,958,815	
9,021	9,021	8,169,930	
1,098	1,098	800,538	
-	4,012,990	-	
358,524	773,125	-	
260,420	4,111,896	6,908,161	
-	1,370,820	-	
21,417	46,559	1,967,575	
223,265	223,265	36,096	
12,089	12,089	-	
46,050	46,050	-	
66,157	6,315,912	315,287	
<b>3,863,138</b>	<b>193,729,330</b>	<b>177,388,595</b>	
<b>(943,885)</b>	<b>(1,751,579)</b>	<b>(1,970,093)</b>	
(3,300)	(23,370)	(376,264)	
(251,439)	(251,439)	-	
26,765	12,388,648	618,556	
<b>(227,974)</b>	<b>12,113,839</b>	<b>242,292</b>	
<b>(1,171,859)</b>	<b>10,362,260</b>	<b>(1,727,801)</b>	
-	(39,928)	727,066	
318,157	318,157	945,486	
-	(21,041,124)	(4,988,010)	
<b>(853,702)</b>	<b>(10,400,635)</b>	<b>(5,043,259)</b>	
<b>3,513,976</b>	<b>242,495,331</b>	<b>22,000,326</b>	
<b>\$ 2,660,274</b>	<b>\$ 232,094,696</b>	<b>\$ 16,957,067</b>	

Total change in net assets reported above (10,400,635)  
Consolidation adjustment of internal service activities related to Enterprise Funds 13,864  
Change in Net Assets - Business-type Activities \$ (10,386,771)

**STATE OF VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

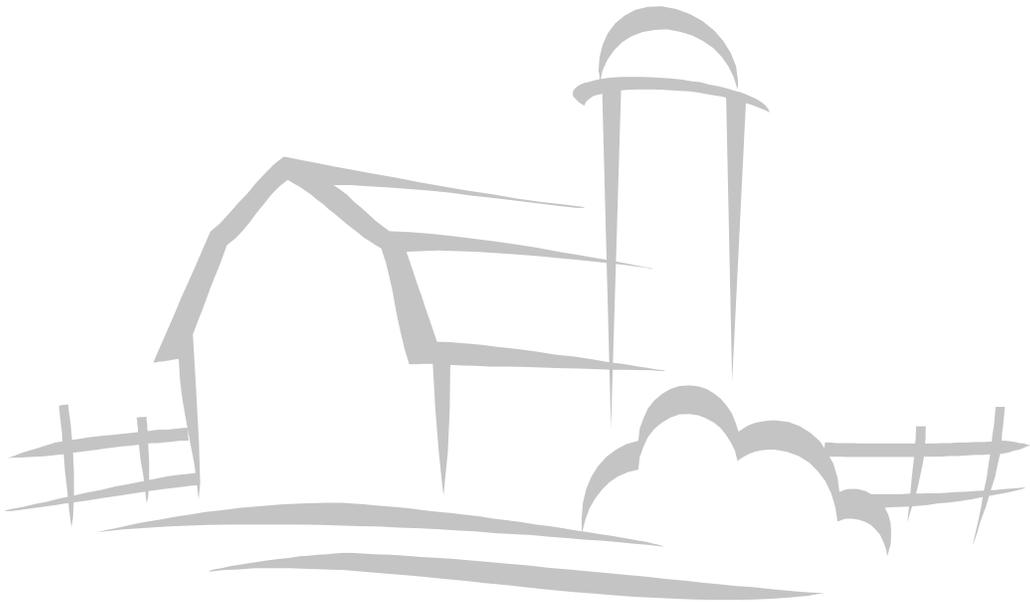
	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers.....	\$ 54,043,538	\$ 51,084,291	\$ 93,123,196
Cash paid to suppliers for goods and services.....	-	(36,551,060)	-
Loans received (made).....	-	-	-
Cash paid to employees for services.....	-	(3,112,755)	(1,094,329)
Cash paid for prizes and commissions.....	-	-	(63,519,986)
Cash paid to claimants.....	(77,046,901)	-	-
Liquor taxes and licenses paid.....	-	(13,027,340)	-
Cash paid for fees, operations and other.....	-	-	(6,922,513)
Other operating revenues (expenses).....	50,316	1,233,344	9,806
<b>Net cash provided (used) by operating activities.....</b>	<b>(22,953,047)</b>	<b>(373,520)</b>	<b>21,596,174</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating transfers in (out).....	-	(278,525)	(20,497,394)
Interfund loans and advances.....	-	-	-
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>0</b>	<b>(278,525)</b>	<b>(20,497,394)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets.....	-	(102,641)	(151,140)
Proceeds from sale of capital assets.....	-	197	-
<b>Net cash provided (used) by capital and related financing activities.....</b>	<b>0</b>	<b>(102,444)</b>	<b>(151,140)</b>
<b>Cash Flows From Investing Activities:</b>			
Interest and dividends on investments.....	12,344,545	349	60,683
Proceeds from sales/maturities of investments.....	-	-	247,451
Interest & penalties received (paid).....	(319,490)	-	-
Excess cash transferred.....	-	-	-
<b>Net cash provided (used) by investing activities.....</b>	<b>12,025,055</b>	<b>349</b>	<b>308,134</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(10,927,992)</b>	<b>(754,140)</b>	<b>1,255,774</b>
<b>Cash and cash equivalents at July 1, .....</b>	<b>232,098,142</b>	<b>2,792,130</b>	<b>1,533,023</b>
<b>Cash and cash equivalents at June 30 ( see note below).....</b>	<b>\$ 221,170,150</b>	<b>\$ 2,037,990</b>	<b>\$ 2,788,797</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss).....	\$ (22,718,285)	\$ 1,040,740	\$ 20,869,851
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>			
Depreciation and amortization.....	-	142,866	85,114
(Increase) decrease in accounts/taxes receivable.....	(1,308,459)	80,595	543,216
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in inventory.....	-	(220,983)	89,318
(Increase) decrease in prepaid expenses.....	-	-	-
(Increase) decrease in intergovernmental receivable - federal.....	50,316	-	-
Increase (decrease) in accounts payable.....	205,972	(1,571,762)	296,616
Increase (decrease) in accrued salaries and benefits.....	-	17,173	11,632
Increase (decrease) in claims payable.....	-	-	-
Increase (decrease) in due to lottery winners.....	-	-	(247,450)
Increase (decrease) in due to agents.....	-	52,954	-
Increase (decrease) in future and unclaimed prizes payable.....	-	-	(42,300)
Increase (decrease) in deferred revenue.....	-	-	(9,823)
Increase (decrease) in due to other funds.....	-	84,897	-
Increase (decrease) in other liabilities.....	817,409	-	-
Increase (decrease) in subscription reserves.....	-	-	-
<b>Total adjustments.....</b>	<b>(234,762)</b>	<b>(1,414,260)</b>	<b>726,323</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ (22,953,047)</b>	<b>\$ (373,520)</b>	<b>\$ 21,596,174</b>

**NOTE:** Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

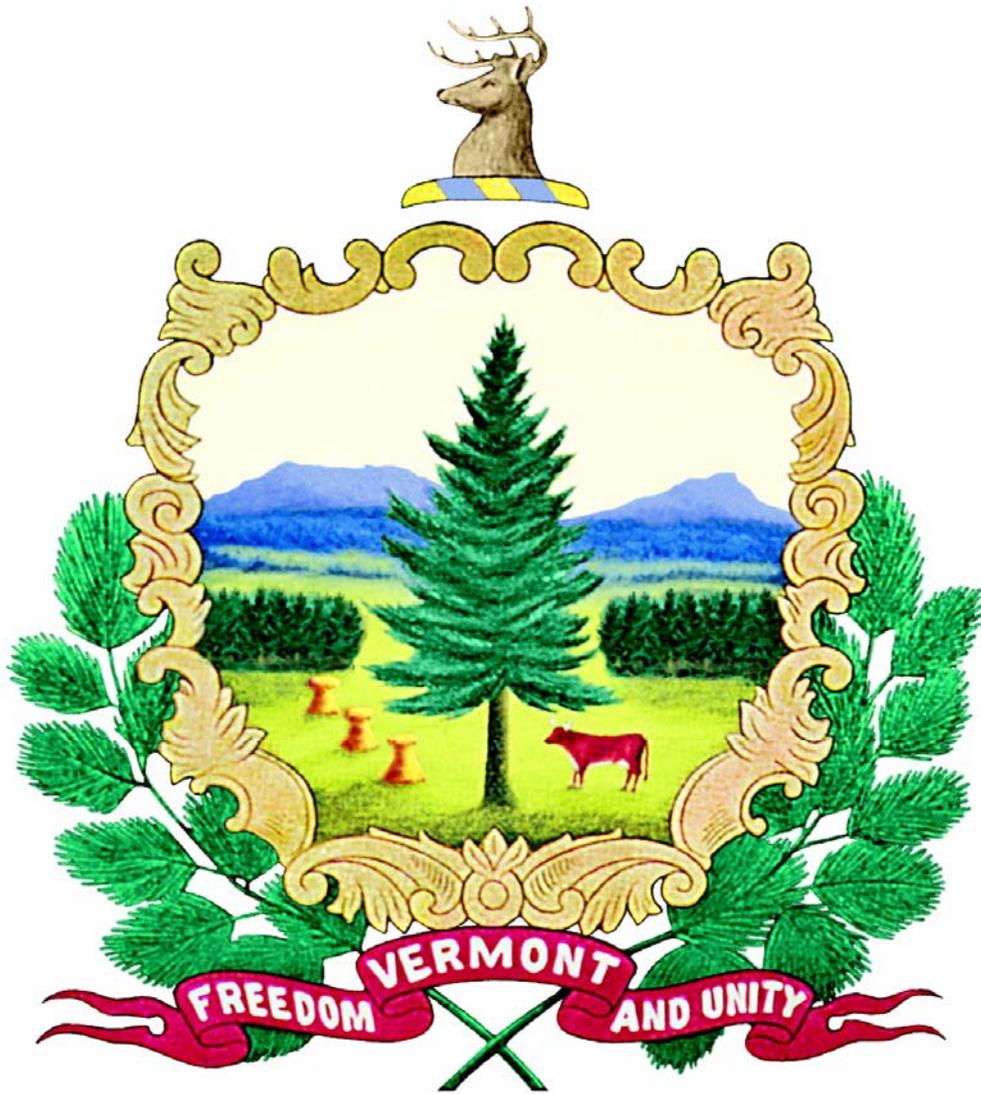
The accompanying notes are an integral part of these financial statements.

<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Non-major Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>	
\$ 3,408,915	\$ 201,659,940	\$ 175,272,523	
(2,995,190)	(39,546,250)	(59,561,876)	
44,070	44,070	-	
(800,799)	(5,007,883)	(25,373,133)	
-	(63,519,986)	-	
-	(77,046,901)	(84,669,517)	
-	(13,027,340)	-	
-	(6,922,513)	-	
8,936	1,302,402	(364,974)	
<b>(334,068)</b>	<b>(2,064,461)</b>	<b>5,303,023</b>	
-	(20,775,919)	(4,024,382)	
275,548	275,548	10,308,216	
<b>275,548</b>	<b>(20,500,371)</b>	<b>6,283,834</b>	
-	(253,781)	(8,615,860)	
-	197	697,128	
<b>0</b>	<b>(253,584)</b>	<b>(7,918,732)</b>	
26,765	12,432,342	618,556	
-	247,451	-	
319,490	0	-	
(251,439)	(251,439)	-	
<b>94,816</b>	<b>12,428,354</b>	<b>618,556</b>	
<b>36,296</b>	<b>(10,390,062)</b>	<b>4,286,681</b>	
<b>2,000,335</b>	<b>238,423,630</b>	<b>39,757,100</b>	
<b>\$ 2,036,631</b>	<b>\$ 228,033,568</b>	<b>\$ 44,043,781</b>	
\$ (943,885)	\$ (1,751,579)	\$ (1,970,093)	
158	228,138	5,791,623	
500,887	(183,761)	(27,410)	
229,880	229,880	-	
4,519	4,519	-	
341	341	510,190	
396,731	265,066	204,965	
(21,251)	(21,251)	(151,500)	
-	50,316	-	
(94,532)	(1,163,706)	975,761	
740	29,545	167,479	
-	0	366,902	
-	(247,450)	-	
-	52,954	-	
-	(42,300)	-	
(418,512)	(428,335)	(392)	
-	84,897	(564,502)	
-	817,409	-	
10,856	10,856	-	
<b>609,817</b>	<b>(312,882)</b>	<b>7,273,116</b>	
<b>\$ (334,068)</b>	<b>\$ (2,064,461)</b>	<b>\$ 5,303,023</b>	

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*Vermont*



***FIDUCIARY FUNDS  
FINANCIAL STATEMENTS***

**STATE OF VERMONT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
	<b>Unclaimed Property Fund</b>	<b>Agency Funds</b>	
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 105,416,462	\$ 3,896,138	\$ 5,114,407
Investments at fair value.....	2,779,155,347	-	-
Receivables:			
Taxes.....	-	-	1,805,937
Contributions.....	6,926,454	-	-
Investment principal and interest.....	15,424,329	-	-
Investments sold.....	120,448,438	-	-
Other.....	10,206,221	-	122,971
Due from other funds.....	4,000,000	55,620	337,595
Prepaid expenses.....	2,013,781	-	-
	<b>3,043,591,032</b>	<b>3,951,758</b>	<b>7,380,910</b>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable.....	2,240,938	11,578	-
Accrued liabilities.....	99,875	14,716	-
Claims payable.....	-	3,562,887	-
Due to other funds.....	-	-	633,858
Interfund loans payable.....	-	-	456,704
Due to depositories.....	-	-	20,023
Intergovernmental payable - other governments.....	-	-	2,665,056
Amounts held in custody for others.....	-	-	2,923,179
Payable for investments purchased.....	186,230,636	-	-
Other liabilities.....	-	-	682,090
	<b>188,571,449</b>	<b>3,589,181</b>	<b>\$ 7,380,910</b>
<b>Net assets held in trust for benefits &amp; other purposes...</b>	<b>\$ 2,855,019,583</b>	<b>\$ 362,577</b>	
<b>RECONCILIATION OF NET ASSETS HELD IN TRUST:</b>			
Employees' pension benefits.....	\$ 2,855,019,583	\$ -	
Other purposes.....	-	362,577	
<b>Net assets held in trust for benefits &amp; other purposes...</b>	<b>\$ 2,855,019,583</b>	<b>\$ 362,577</b>	

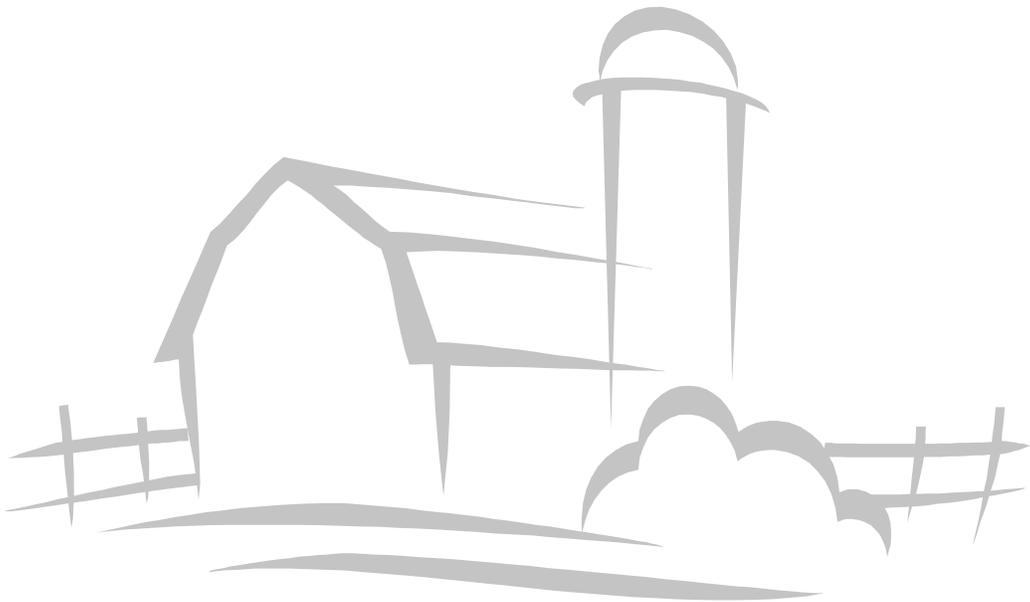
The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

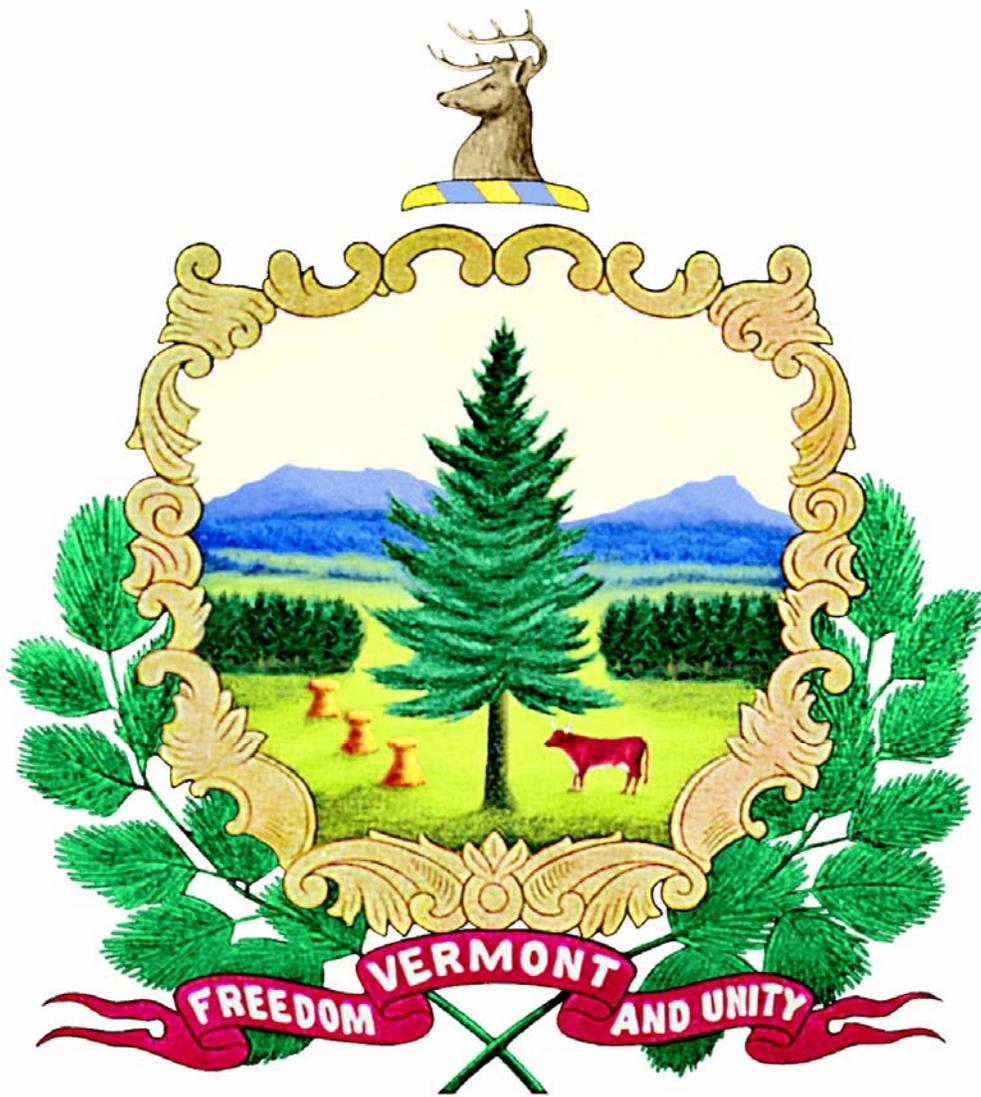
	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Fund</u>  <u>Unclaimed Property Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Employer.....	\$ 71,022,972	\$ -
Plan member.....	44,810,739	-
Transfers from non-state systems.....	253,480	-
Total contributions.....	<u>116,087,191</u>	<u>0</u>
Investment Income:		
Net appreciation in		
fair value of investments.....	130,337,578	-
Dividends.....	34,811,919	-
Interest income.....	45,185,137	152,487
Securities lending income.....	4,114,301	-
Other income.....	29,670,211	-
Less Investment Expenses:		
Investment managers and consultants.....	(8,947,443)	-
Securities lending expenses.....	(3,762,950)	-
Net investment income.....	<u>231,408,753</u>	<u>152,487</u>
Escheat property remittances.....	-	<u>6,352,077</u>
<b>Total additions.....</b>	<b><u>347,495,944</u></b>	<b><u>6,504,564</u></b>
<b>DEDUCTIONS</b>		
Retirement benefits.....	124,422,326	-
Refunds of contributions.....	3,006,194	-
Death claims.....	640,810	-
Operating expenses.....	24,427,519	752,567
Transfers out.....	-	6,251,407
<b>Total deductions.....</b>	<b><u>152,496,849</u></b>	<b><u>7,003,974</u></b>
<b>Change in net assets.....</b>	<b>194,999,095</b>	<b>(499,410)</b>
<b>Net assets held in trust for benefits &amp; other purposes:</b>		
July 1.....	<u>2,660,020,488</u>	<u>861,987</u>
June 30.....	<u><u>\$ 2,855,019,583</u></u>	<u><u>\$ 362,577</u></u>

The accompanying notes are an integral part of these financial statements.

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*Vermont*



***Component Unit  
Financial Statements***

STATE OF VERMONT  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
June 30, 2005

	Vermont Student Assistance Corporation 06/30/2005	University of Vermont and State Agricultural College 06/30/2005	Vermont State Colleges 06/30/2005	Non-major Component Units	Total Component Units
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents.....	\$ 398,557,000	\$ 29,683,000	\$ 9,446,338	\$ 23,829,971	\$ 461,516,309
Investments.....	515,000	74,790,000	2,741,424	6,114,994	84,161,418
Accounts receivable (net).....	-	27,306,000	7,714,183	210,710	35,230,893
Accrued interest receivable - loans.....	32,276,000	-	-	12,339,803	44,615,803
Accrued interest receivable - investments.....	577,000	-	-	-	577,000
Loans and notes receivable - current portion.....	108,329,000	3,382,000	-	45,442,459	157,153,459
Other receivables.....	727,000	3,589,000	-	79,225	4,395,225
Due from federal government.....	253,000	-	-	14,178,865	14,431,865
Inventories (at cost).....	-	2,048,000	103,404	97,340	2,248,744
Prepaid expenses.....	-	6,431,000	-	11,497	6,442,497
Other current assets.....	1,382,000	-	1,161,310	399,671	2,942,981
<b>Total current assets.....</b>	<b>542,616,000</b>	<b>147,229,000</b>	<b>21,166,659</b>	<b>102,704,535</b>	<b>813,716,194</b>
Restricted and Non-Current Assets:					
Cash.....	-	7,669,000	695,628	3,368,492	11,733,120
Investments.....	-	275,412,000	26,124,087	65,444,802	366,980,889
Deferred bond issue costs.....	8,336,000	-	-	5,515,158	13,851,158
Loans and notes receivable (net).....	1,332,471,000	26,784,000	5,157,313	540,465,854	1,904,878,167
Other assets.....	-	13,572,000	-	5,178	13,577,178
<b>Total restricted and noncurrent assets.....</b>	<b>1,340,807,000</b>	<b>323,437,000</b>	<b>31,977,028</b>	<b>614,799,484</b>	<b>2,311,020,512</b>
Capital Assets:					
Land.....	3,150,000	16,646,000	5,245,598	227,114	25,268,712
Construction in process.....	11,072,000	58,672,000	17,447,812	12,157	87,203,969
Building and leasehold improvements.....	721,000	349,629,000	101,812,288	11,981,048	464,143,336
Equipment, furniture and fixtures.....	7,543,000	99,509,000	6,474,955	2,843,621	116,370,576
Infrastructure.....	-	-	17,824,681	-	17,824,681
Accumulated depreciation.....	(5,888,000)	(200,851,000)	(76,087,344)	(10,982,222)	(293,808,566)
<b>Total capital assets, net of depreciation.....</b>	<b>16,598,000</b>	<b>323,605,000</b>	<b>72,717,990</b>	<b>4,081,718</b>	<b>417,002,708</b>
<b>Total assets.....</b>	<b>1,900,021,000</b>	<b>794,271,000</b>	<b>125,861,677</b>	<b>721,585,737</b>	<b>3,541,739,414</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable.....	6,915,000	23,891,000	8,098,277	902,779	39,807,056
Accrued salaries and benefits.....	-	20,683,000	-	1,203,160	21,886,160
Accrued interest payable.....	-	-	-	443,153	443,153
Bond interest payable.....	2,459,000	-	-	1,775,332	4,234,332
Deferred revenue.....	2,541,000	16,973,000	4,297,188	264,748	24,075,936
Accrued arbitrage rebate.....	253,000	-	-	582,955	835,955
Current portion - bonds, notes and leases payable.....	57,675,000	4,336,000	1,378,069	102,348,086	165,737,155
Due to primary government.....	-	-	-	1,139,739	1,139,739
Escrowed cash deposits.....	-	-	-	141,817	141,817
Other current liabilities.....	-	347,000	-	12,361,347	12,708,347
<b>Total current liabilities.....</b>	<b>69,843,000</b>	<b>66,230,000</b>	<b>13,773,534</b>	<b>121,163,116</b>	<b>271,009,650</b>
Restricted and Non-Current Liabilities:					
Bonds, notes and leases payable.....	1,702,504,000	187,694,000	43,214,212	438,848,679	2,372,260,891
Accounts payable and accrued liabilities.....	-	-	1,047,750	-	1,047,750
Accrued arbitrage rebate.....	19,830,000	-	-	485,613	20,315,613
Other liabilities.....	-	13,298,000	6,233,914	30,825	19,562,739
<b>Total liabilities payable from restricted assets.....</b>	<b>1,722,334,000</b>	<b>200,992,000</b>	<b>50,495,876</b>	<b>439,365,117</b>	<b>2,413,186,993</b>
<b>Total liabilities.....</b>	<b>1,792,177,000</b>	<b>267,222,000</b>	<b>64,269,410</b>	<b>560,528,233</b>	<b>2,684,196,643</b>
<b>NET ASSETS</b>					
Invested in capital assets, (net of related debt).....	2,377,000	131,575,000	33,712,454	3,794,423	171,458,877
Restricted.....	54,736,000	290,213,000	11,664,951	113,631,010	470,244,961
Unrestricted - designated.....	-	-	-	30,000	30,000
Unrestricted.....	50,731,000	105,261,000	16,214,862	43,602,071	215,808,933
<b>Total net assets.....</b>	<b>\$ 107,844,000</b>	<b>\$ 527,049,000</b>	<b>\$ 61,592,267</b>	<b>\$ 161,057,504</b>	<b>\$ 857,542,771</b>

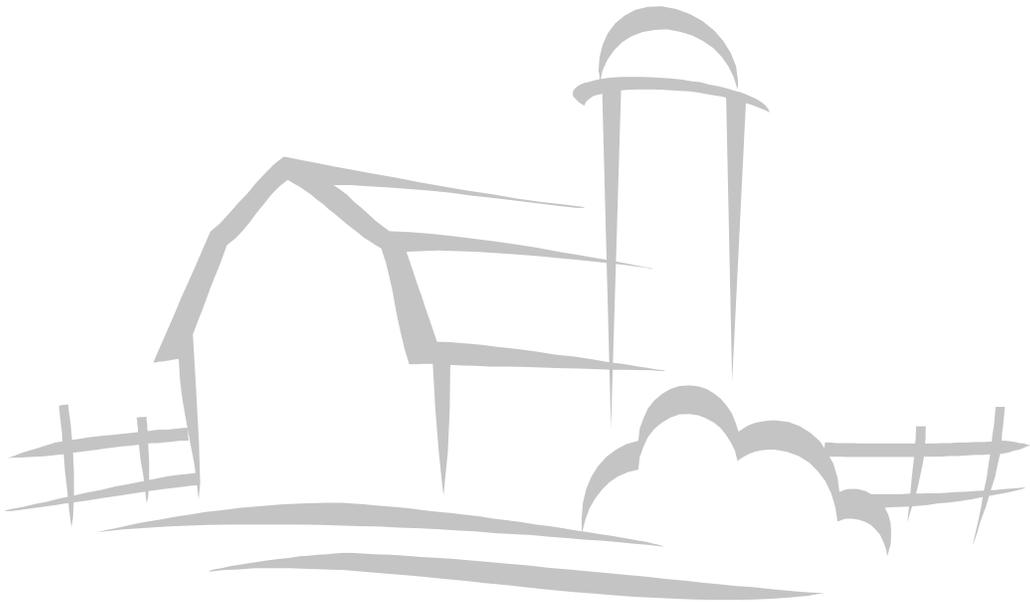
The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Function/Program</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Vermont Student Assistance Corporation.....	\$ 130,083,000	\$ 65,044,000	\$ 66,741,000	\$ -	\$ 1,702,000
University of Vermont and State Agricultural College.....	423,317,000	215,925,000	189,675,000	12,634,000	(5,083,000)
Vermont State Colleges.....	125,540,113	76,556,436	48,545,514	3,935,027	3,496,864
Non-major component units.....	<u>58,683,189</u>	<u>41,326,019</u>	<u>12,342,818</u>	<u>49,013</u>	<u>(4,965,339)</u>
Total component units.....	<u>\$ 737,623,302</u>	<u>\$ 398,851,455</u>	<u>\$ 317,304,332</u>	<u>\$ 16,618,040</u>	<u>(4,849,475)</u>
General Revenues:					
				Property transfer tax.....	12,604,000
				Investment income.....	45,836,899
				Additions to non-expendable endowments.....	360,219
				Miscellaneous.....	(294,835)
				Total general revenues.....	<u>58,506,283</u>
				Changes in net assets.....	53,656,808
				Net assets - beginning, restated.....	<u>803,885,963</u>
				Net assets - ending.....	<u>\$ 857,542,771</u>

The accompanying notes are an integral part of these financial statements.

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**State of Vermont  
Notes to the Financial Statements  
Fiscal Year Ended June 30, 2005**

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**STATE OF VERMONT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

The accompanying financial statements of the State of Vermont have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Newly implemented in these statements are the requirements of GASB Statement No. 40 – “Deposit and Investment Risk Disclosures (an amendment to GASB Statement No. 3)” and GASB Statement No. 46 – “Economic Condition Reporting: The Statistical Section (an amendment to NCGA Statement 1).”

The accompanying financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2005.

**A. Reporting Entity**

The financial statements include the various agencies, boards, commissions, public trusts, and authorities of the State as well as legally separate entities over which the State’s executive, legislative, and judicial branches exercise oversight responsibility. Oversight responsibility as defined by GASB includes the following considerations:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

In addition, the following criteria were considered during the evaluation of the legally separate entities for inclusion in the CAFR as Component Units:

The scope of public services as to whether its activity benefits the State or its citizens, and whether the activity is conducted within the geographic boundaries of Vermont and is generally available to Vermont residents.

The existence of any special relationships regardless of whether the government exercises oversight responsibility that would cause the State’s financial statements to be misleading or incomplete if the entity’s financial activity were to be omitted.

Entities that may meet only one of the above criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles, these financial statements present the primary government and component units of the State of Vermont.

**COMPONENT UNITS**

Component Units are entities that are legally separate from the State, but which are either financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State’s financial statements to be misleading or incomplete. Their activity may be “blended” into the activity of the primary government or may be reported separately. If they are reported separately, they are called “discretely presented component units.” Vermont does not report any blended component units in this CAFR but does report discretely presented component units that may report blended component units in their financial statements (See the Vermont Municipal Bond Bank). Component Unit’s designation as either “major” or “non-

major” has been determined by applying the criteria of GASB Statement No. 34. See Section C – Fund Financial Statements – for definitions of major and non-major funds. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

The Component Units columns of the government-wide financial statements report the financial results of the following entities:

#### Major Component Units

*Vermont Student Assistance Corporation (VSAC)* – VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. For further information, contact their administrative offices at the Champlain Mill, P.O. Box 2000, Winooski, Vermont 05404-2601.

*University Of Vermont (UVM)* - The University of Vermont’s financial report includes both the university and the State Agricultural College. Additional information may be obtained by contacting the university’s administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

*Vermont State College System (VSC)* – The Vermont State College System’s annual report includes the financial activity for the following organizations:

- System Offices and Services
- Community College of Vermont
- Castleton State College
- Johnson State College
- Lyndon State College
- Vermont Technical College
- Vermont Interactive Television
- Practical Nursing Program
- Vermont Manufacturing Extension Center

Additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, Post Office Box 359, Waterbury, Vermont 05676.

#### Non-major Component Units

*Vermont Educational and Health Buildings Financing Agency (VEHBFA)* – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible educational or health related entities. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 133 State Street, Montpelier, Vermont 05633.

*Vermont Housing and Conservation Board (VHCB)* – The Legislature created and charged this non-profit organization with two goals: Create affordable housing for Vermont residents; and conserve and protect Vermont’s agricultural lands, historic properties, important natural areas, and recreational lands. VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 149 Main Street, Montpelier, Vermont 05602.

*Vermont Economic Development Authority (VEDA)* – VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital.

VEDA also administers the State Infrastructure Bank (SIB) and the Drinking Water State Revolving Loan Fund –

Private Loans. These two funds are administered for the benefit of the State and are consolidated and reported in VEDA's agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 56 East State Street, Montpelier, Vermont 05602.

*Vermont Municipal Bond Bank (VMBB)* – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. VMBB is authorized to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. It has an annual fiscal year (December 31) and issues audited financial statements under separate cover.

VMBB also administers the *Special Environmental Revolving Fund* in accordance with 24 V.S.A. 4753(b). This fund, which has a June 30 year-end and issues its own audited financial statements, was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. Further information regarding VMBB or the Special Environmental Revolving Fund may be obtained by contacting VMBB at 133 State Street, Montpelier, Vermont 05633.

*Vermont Center For Geographic Information (VCGI)* – The Vermont Legislature established VCGI and charged it with creating a comprehensive strategy for the development and use of a geographic information system. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Waterbury, Vermont 05671.

*Vermont Sustainable Jobs Fund, Inc.* – The Vermont Legislature established a jobs program and directed VEDA to set up a non-profit 503(c)(3) corporation to implement the program and to establish policies and procedures in order to fulfill the goals of the jobs program as listed in 10 V.S.A. 326(a). Audited financial statements and additional information may be obtained by contacting them at 56 East State Street, Montpelier, Vermont 05602.

*Vermont Transportation Authority (VTA)* – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. Its has no current activity as operations were discontinued on February 28, 2003. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

*Vermont Veterans' Home* – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The Vermont Veterans' Home issues its own audited financial statements under separate cover. Additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

*Vermont Rehabilitation Corporation* – The Vermont Rehabilitation Corporation is a non-profit quasi-public corporation that was incorporated in 1935 in accordance with 10 V.S.A. 272-277. Its main purpose is to provide a limited source of loan funds to family farmers or prospective family farmers under terms and conditions which will reduce their investment costs to an extent that offers them a reasonable chance to succeed. Additional information may be obtained by contacting the Vermont State Treasurer at 133 State Street, Montpelier, Vermont 05633-6200.

## JOINT VENTURES

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The following entities in which the State has been participating have

been classified as joint ventures. The financial activities of these organizations have not been included in the State's financial statements; however, see Note 15 for a summary of the financial activity of the Tri-State Lotto Commission.

Connecticut River Atlantic Salmon Committee (10 V.S.A. 4654)  
Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)  
New England Board of Higher Education (16 V.S.A. 2692)  
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)  
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)  
Tri-State Lotto Commission (31 V.S.A. 673)  
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

#### RELATED ORGANIZATIONS

Related organizations are separate legal entities for which the primary government is accountable only because it appoints a voting majority of the board but for which it is not financially accountable. The following entities have been classified as related organizations but their financial activity has not been included in the State's financial statements.

Vermont State Housing Authority (24 V.S.A. 4005)  
Vermont Housing Finance Agency (10 V.S.A. 611)

#### EXCLUDED ORGANIZATIONS

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity."

Vermont Council On The Humanities  
Vermont Council On The Arts  
Vermont Historical Society  
Vermont Public Power Supply Authority

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

#### **B. Government-wide Financial Statements**

Vermont's Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of intrafund activity has also been removed from these government-wide statements. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program

revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources by management are not presented as restricted net assets. When both restricted and non-restricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

### **C. Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and major component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds are consolidated and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc) for all funds in that category or type (that is total governmental or total enterprise), **and**
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that the government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

### **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide Financial Statements* – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

*Governmental Fund Financial Statements* – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. Principle revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. See special consideration for personal income tax revenue recognition under the "Receivables" section of this footnote.

Expenditures generally are recorded when a liability is due and payable. See the "Tax Refunds" section of this footnote for the special consideration afforded the recognition of personal income tax refunds in this report.

Modifications to the modified accrual basis of accounting include:

Employees' vested annual, personal, and compensated leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the government-wide financial statements and does not include any accruals for the State's share of any taxes due when the expenditures are actually paid. See the "Compensated Absences" section of this footnote for additional information.

Interest on general long-term debt is recognized when due to be paid.

Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

*Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units* – The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. The State's proprietary funds have elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations). Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

*University of Vermont (UVM) and the Vermont State College System (VSC)* – These entities account for their activity using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles set forth for public colleges and universities.

### **E. Fund Accounting**

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds:

#### GOVERNMENTAL FUNDS

*General Fund* – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year.

*Special Revenue Funds* - These funds are used to account for revenues specifically earmarked to finance only particular or restricted programs and activities and include the following:

*Transportation Fund* – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for maintenance and staffing of highway rest areas, construction of transportation capital facilities, and to provide funding for transportation related debt service requirements. The principle sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

*Education Fund* – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and education property tax rebates. Funding includes the statewide education tax, allocations of other taxes,

State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

*Special Fund* – This fund is a major special revenue fund. It consolidates many individual special revenue funds that account for proceeds or specific revenues not categorized above that are legally restricted to expenditures for specific purposes. These purposes cross the entire gamut of state government activities.

*Federal Revenue Fund* – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for transportation or fish and wildlife purposes. Federal grants of these latter two types are recorded in the State's Transportation Fund or Fish and Wildlife Fund respectively.

*Fish and Wildlife Fund* – This fund is a non-major special revenue fund. The fund's revenue is restricted by statute and can only be utilized for fish and wildlife purposes. Principle sources of revenue include license fees and federal grants.

*Capital Projects Funds* – These funds, consisting of the General Bond Fund and the Transportation Bond Fund, are non-major governmental funds, account for capital improvement expenditures. These appropriations are primarily funded by the issuance of State capital bonds. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

*Permanent Funds* – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, monument preservation, etc. In previous years, these funds were reported as non-expendable trust funds.

#### PROPRIETARY FUNDS

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

*Enterprise Funds* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges.

*Internal Service Funds* – These funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

#### FIDUCIARY FUNDS

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These funds include the following:

*Pension Trust Funds* -- These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement System of Vermont, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, and the State's Single Deposit Investment Account.

*Private Purpose Trust Fund* – The State reports only one fund under this category, the *Unclaimed Property Fund* managed by the State Treasurer’s Office. This fund accounts for all abandoned property in the State that is required to be reported and sent to the State for safekeeping. The State Treasurer is required to return this property to its rightful owner if he/she can be determined. If no one claims the property after a prescribed amount of time has passed, the Treasurer is required to transfer it to the General Fund where the Legislature will appropriate it. However, if a valid claim is submitted after the Legislature has appropriated this property, the State is still required to return this property or its equivalent value to the rightful owner.

*Agency Funds* – These funds report assets and liabilities for deposits and investments entrusted to the State as agent for others. They have no fund balance and report items such as Federal income tax withholding, social security tax withholding, etc.

#### BUDGETARY PROCESS

Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by the November 1 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before any expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis usually at the program level. The Governor may amend appropriations within limits established by statute. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds’ unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

#### CASH AND CASH EQUIVALENTS

Cash balances for most funds are deposited with the State Treasurer, except for the Pension Trust Funds, Capital Projects Funds, and the Single Deposit Investment Account Fund. Cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprested cash, short-term investments with an original maturity of 3 months or less such as certificates of deposit, commercial paper, federal government agencies’ discount notes, money market accounts, and repurchase agreements.

#### RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants receivable.

Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from component units. Revenues accrued in the governmental funds financial statements consist primarily of accrued taxes, and notes receivable from component units that will be collected by the State within 60 days. Amounts estimated to be collected after the 60-day period are recorded as deferred revenues. Federal receivables are amounts due from the federal government to reimburse the State for expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes receivable in the General Fund consist primarily of Vermont Economic Development Authority notes purchased by the State. See Note 12 – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these notes receivable.

The “Investments Sold” receivable balance on the Statement of Fiduciary Net Assets – Pension Trust Funds represent monies due to the respective retirement funds for investments sold or matured prior to June 30, 2005, but for which the receipts were received subsequent to June 30, 2005.

The “Other” receivable balance in the Vermont Municipal Employees’ Retirement Fund represents the remaining cash balance due from several municipal entities that recently joined this plan. Please see Note 5A – Retirement Plan Descriptions for further information regarding these new entities.

#### INVENTORIES

Inventories of materials and supplies reported in the governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are generally valued at the lower of average cost or market. However, inventories reported in the Federal Surplus Property Fund (an enterprise fund) are reported at the federal acquisition cost.

#### CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, and infrastructure assets are recorded in the Government-wide Statement of Net Assets at historical cost if available or, if donated or the actual cost is not known, at the estimated fair market value at the date the State acquired them. Interest incurred on debt issued for construction of these capital assets is not capitalized.

Vermont defines a Capital Asset as a physical resource that costs at least \$5,000 and provides a future economic benefit for a minimum of 2 years. This includes capital leases and buildings that are not considered to be part of an infrastructure asset. All land regardless of cost, is capitalized and is not depreciated.

Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature; utilized primarily by the general public as compared to State employees; cost at least \$50,000 and provide future economic benefit for at least 3 years. Normally, they can be preserved for a significantly greater number of years than most capital assets. They are generally much greater in value and have a longer economic life than capital assets.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 20 to 50 years and equipment are 3 to 24 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes 4 and 7, respectively.

Capital assets in the proprietary funds are capitalized at cost when acquired. Depreciation is calculated and recorded using the straight-line method with estimated useful lives being the same as those for the governmental capital assets.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Significant renewals and improvements that increase the life expectancy are capitalized and deductions are made for retirements resulting from the renewals or improvements.

## DEFERRED REVENUE

Revenues in the government-wide financial statements and the proprietary fund financial statements are deferred if cash has been received prior to being earned. In governmental fund statements deferred revenues are recognized when revenues are unearned or unavailable.

## PAYABLES

The accounts payable balances contained in the financial statements consist of operating liabilities that were incurred and payment was due prior to year-end (usually June 30) and where payment was actually made subsequent to year-end. When paying its liabilities, it is the policy of the State to apply restricted resources first to situations where either restricted or unrestricted net assets may be used.

The "payable for investments purchased" balance for the Pension Trust Funds represents amounts due for securities purchased prior to June 30, 2005, which were paid subsequent to June 30, 2005.

## ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned by employees as of June 30, 2005. Retainage payable consists of portions of progress payment amounts due to contractors that have been withheld and which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

## TAX REFUNDS

Tax refunds primarily represent amounts owed by the State to taxpayers because of overpayment of their 2004 calendar year and first and second quarter 2005 calendar year personal income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2005 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2005. The amount reported as tax refunds payable at June 30, 2005 in the government-wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2005 tax liability as well as overpayments for calendar year 2004 and prior years' tax liabilities that have not been paid out as of June 30, 2005.

## ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated and the liability and expenditure are recorded. Un-liquidated encumbrances remaining at fiscal year-end are reported in the Reserved For Encumbrances account as a component of fund equity for the governmental fund types.

## FUND BALANCES

Fund balances for governmental funds are either reserved or unreserved. Reserved fund balances reflect either (1) assets which, by their nature, are not available for appropriation; (2) funds legally separated for a specific use such as "reserved for encumbrances;" or (3) funds segregated by legal restrictions.

Certain other reservations of the Governmental Funds' fund balances are described below.

*Budget Stabilization Reserve* – These reserves are established in the General, Transportation, and Education funds. They were created to reduce the effects of annual variations in State revenues by reserving certain surpluses of revenue. See Note 14 for a more complete disclosure of these reserves as it pertains to the current

fiscal year.

*Reserve For Debt Service* – During fiscal year 1993, the State initiated a lawsuit to recover costs associated with asbestos removal. A settlement agreement between the contractor and the State was reached which resulted in net proceeds of \$1,734,543 being credited to and reserved in the General Fund to meet future debt obligations associated with issuance of bonds relating to asbestos removal. The reserved amount is reduced annually through fiscal year 2009 in proportion to the repayment schedule of the bonds issued to refinance the asbestos removal. The remaining reserved balance at June 30, 2005 is \$29,995. Also reported as reserve for debt service is the premium on sale of bonds for general obligation bonds sold during the fiscal year. This portion of the reserve will be appropriated in the following fiscal year to be used on the first payment of principal or interest due on the bonds.

*Reserve For Human Caseload Management* – The General Fund reserve for human caseload management, established pursuant to 32 V.S.A. Section 308b(a) was created to be available for appropriation to meet caseload-related needs at the Agency of Human Services. The Secretary of Administration may transfer to this reserve any general fund unexpended appropriations directly attributable to Aid To Needy Families With Children (ANFC) caseload reductions and the effective management of related federal receipts.

#### COMPENSATED ABSENCES

Compensated absences include accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees may accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within an accrual year or forfeited.

Liabilities for compensated absences are recorded in the fund where the employees are assigned. The amounts are calculated based on an employee's pay rate in effect on June 30, 2005. Additional information including changes in balances may be found in Note 18 – Changes In Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

#### BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In the government-wide financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

#### INTERFUND TRANSACTIONS

*Interfund Loans* – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

*Reimbursements* – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

*Quasi-External Transactions* – These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

*Transfers* – These transfers encompass all types of transfers, except for the residual equity transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as “Other Financing Sources (Uses)” in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

#### PREPAID EXPENSES

In governmental funds, all purchases are recorded as expenditures when paid. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, that affect disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

### **Note 2. Cash, Cash Equivalents and Investments**

#### **A. Primary Government**

Deposits and investments for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. The State Treasurer has set limits for the deposition of public monies in published formal guidelines. The State’s investment policy’s goal is to minimize risk while maximizing return on investment. A secondary but vital goal is to maintain adequate liquidity for future State cash flow needs. State statute governs the investment of the state’s non-pension funds’ operating and restricted cash. When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers’ acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. In addition, the State Treasurer’s Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met. The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees’ Retirement System, where appropriate, to the investment of funds in the trust investment account.

Each of the State’s three retirement systems (state employees, teachers and municipal) is governed by a Board of Trustees charged with the investment function. Each Board of trustees has adopted an asset allocation plan and set of investment policies and guidelines with the objective of maximizing return within acceptable risk parameters.

**Custodial Credit Risk – Deposits**

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover deposits deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository (FDIC) insurance and are uncollateralized or collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent but not in the depositor – government's name. Although not statutorily required, the State Treasurer requires the State's cash deposits to be collateralized with either United States Treasury securities or Vermont Municipal securities or a combination of both. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization. The deposits in the bank in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. The deposits for the primary government (including certificates of deposit) at June 30, 2005, were \$99.438 million. Of these, \$15.169 million was exposed to custodial credit risk as uninsured and uncollateralized.

**Investments***Interest Rate Risk – Investments*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government's investments at June 30, 2005 are presented below.

**Primary Government Investments***(Expressed in Thousands)*

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
US Agencies/Treasuries	\$ 606,981	\$ 241,812	\$ 83,079	\$ 11,408	\$ 270,682
Corporate Debt	328,346	10,316	132,757	120,575	64,698
Money Market Mutual Fund	63,991	63,991	-	-	-
Commercial Paper	9,955	9,955	-	-	-
Municipals	132,981	2,459	51,184	51,346	27,992
Asset Backed Securities	102,937	170	32,116	20,524	50,127
Other	5	-	-	-	5
Total	1,245,196	\$ 328,703	\$ 299,136	\$ 203,853	\$ 413,504

**Other Investments**

Equity Mutual Funds	183,331
Equity Securities	1,497,349
US Unemployment Trust Pool	221,074
Real Estate Held for Investment Purposes	93,575
Real Estate Joint Ventures	138,652
Other	40,493
Total	<u>\$3,419,670</u>

This investment maturities schedule uses the segmented time distribution method in aggregate for all investments. A portion of the portfolio attributed to the Trust Investment Account is attributable to an investment manager portfolio consisting of primarily U.S. agencies, collateralized mortgage obligations and asset backed securities that are more accurately stated using the weighted average maturity method. The following is a re-statement of this portion of the Trust Investment Account's portfolio of \$30,160,008.

<u>Years</u>	<u>Segmented Time Amount</u>	<u>Weighted Average Maturity Amount</u>
Less than 1	\$ 143,210	\$ 181,516
1 to 5 years	543,900	25,243,188
6 to 10 years	1,600,961	4,878,515
More than 10	<u>28,015,148</u>	<u>-</u>
Total	<u>\$ 30,303,219</u>	<u>\$ 30,303,219</u>

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer should the issuer fail. While State statute does not establish ceilings, formal investment guidelines limit the amount invested in a single issue, generally no more than 10% in non-pension funds. Formal guidelines for the State's pension funds state that no more than 5% of the market value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer with the exception that there will be no limitations on the amount invested in the obligations of the U.S. Government and Federal Agencies. As of June 30, 2005, no issuer exceeded 5%.

#### *Credit Risk of Debt Investments*

Credit risk is the possibility that the issuer or other counterparty to an investment may not be able to fulfill their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on minimum investment credit quality and by following formal investment guidelines. Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters. The primary government's rated debt investments as of June 30, 2005 were rated by Moody's, or other equivalent nationally recognized statistical rating organization. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities are presented as follows using the Moody's rating scale.

## Primary Government Rated Debt Investments

(expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings		
		Aaa	Aa	A
US Agencies/Treasuries	\$ 606,980	\$ 557,984	\$ -	\$ -
Corporate Debt	328,346	19,512	39,209	47,198
Money Market Mutual Fund	63,991	63,991	-	-
Commercial Paper	9,955	-	-	-
Other Governments' Debt	132,981	86,408	11,505	11,513
Asset Backed Securities	102,937	79,315	727	2,447
Other	5	-	-	-

Debt Investments	Quality Ratings				Short Term A1
	Baa	Ba	B and below	Unrated	
US Agencies/Treasuries	\$ -	\$ -	\$ -	\$ 48,996	\$ -
Corporate Debt	116,565	52,073	25,966	27,823	-
Money Market Mutual Fund	-	-	-	-	-
Commercial Paper	-	-	-	-	9,955
Other Governments' Debt	7,142	-	-	16,413	-
Asset Backed Securities	558	219	-	19,671	-
Other	-	-	-	5	-

*Foreign Currency Risk*

Foreign currency risk is the extent to which changes in exchange rates will affect the fair value of an investment (or a deposit). The value in US dollars by foreign currency denomination and by type of investment is as follows.

**Foreign Currency Risk - International Securities at Fair Value**

Currency	Short Term	Debt	Equity	Total
Australian Dollar	\$ 24,508	\$ -	\$ 14,054,067	\$ 14,078,575
Brazilian Real	19	-	-	19
Canadian Dollar	21,126	901,323	65,250	987,699
Danish Krone	121,765	-	219,713	341,478
Euro Currency	7,699,453	83,154,687	96,365,687	187,219,827
Hong Kong Dollar	217	-	4,360,650	4,360,867
Japanese Yen	217,203	57,718,907	49,692,942	107,629,052
Mexican Peso	-	1,685,824	-	1,685,824
New Zealand Dollar	32	-	2,232,540	2,232,572
Norwegian Krone	12,493	-	1,420,960	1,433,453
Polish Zloty	-	6,069,777	-	6,069,777
Pound Sterling	108,050	1,429,568	61,290,499	62,828,117
Singapore Dollar	6,784	-	2,296,772	2,303,556
South African Rand	-	-	1,424,017	1,424,017
Swedish Krona	10,149	11,299,551	880,509	12,190,209
Swiss Franc	3,627	-	15,239,818	15,243,445
	<u>\$ 8,225,426</u>	<u>\$ 162,259,637</u>	<u>\$ 249,543,424</u>	<u>\$ 420,028,487</u>

Non-pension funds invested under the authority of 32 V.S.A. Section 433 are restricted, through statute and formal guidelines, to specific money market instruments and money market funds investing in domestic instruments. With the exception of \$143,221 in Trust Investment Account portfolios invested under the authority Section 434, all foreign currency exposure is to be found in the pension fund portfolios.

Formal investment policy guidelines adopted by each pension plan's Board of Trustees provides that international equity managers may enter into forward exchange contracts on currency provided that the use of such contracts is designed to dampen portfolio volatility rather than to lever portfolio risk exposure. Opportunistic currency positioning may be utilized to hedge and cross hedge the portfolio's currency risk exposure or in the settlement of securities transactions. The manager may vary the total portfolio's exposure to currency from fully unhedged to fully hedged.

#### **Securities Lending Transactions:**

State statutes and boards of trustees policies permit the Office of the Vermont State Treasurer to enter into securities lending programs utilizing the securities contained in the three defined benefit pension plans' portfolios. Under these lending programs, transfers of these securities are made to independent broker dealers and other entities in exchange for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The pension plans' securities dealer, State Street Bank and Trust Company (State Street), is the agent in lending the plans' domestic securities for cash collateral of 102% and international securities for cash collateral of 105%. At year-end the pension plans have no credit risk exposure to borrowers because the amounts the plans owe the borrowers exceed the amounts the borrowers owe the plans. The lending agent has indemnified Vermont against loss by agreeing to purchase replacement securities or to return cash collateral in the event borrowers fail to return the securities and if the collateral is inadequate to replace the securities lent; or if the borrowers fail to pay Vermont for income distributions made by the securities' issuers while the securities were on loan. There were no losses during the fiscal year resulting from a default of the borrowers or State Street. During the fiscal year, Vermont and the borrowers maintained the right to terminate all securities loans on demand. The cash collateral received on each loan was invested in collective investment pools with an average duration of 25 days at June 30, 2005. Because loans were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. On June 30, 2005, the collateral held and the market value of the securities on loan for Vermont was \$372,325,790 and \$362,537,481, respectively. Below are the statutory references that allow the pension plans to participate in the securities lending program.

Statute Reference Retirement Plan

3 V.S.A. 471(m) Vermont State Employees' Retirement Fund

16 V.S.A. 1942(q) Vermont Teachers' Retirement Fund

24 V.S.A. 5062(o) Vermont Municipal Employees' Retirement Fund

#### **B. Component Units**

Each component unit follows deposit and investment policies as determined by their board of directors. In some component units, underlying bond resolutions, letters of credit and bond insurance providers may require specific criteria to be followed. These policies may include collateralization requirements, allowable investment types, allowable national rating agency quality ratings, and concentrations limits by investment type or issuer. The major objective of these policies is to minimize risk along with maximizing gain. In the case of some component units, underlying bond resolutions, letters of credit and bond insurance providers may require specific criteria be followed. A short description of each component unit, as well as contact addresses, can be found in Note 1 section A to these financial statements. Copies of their financial reports or any other information may be obtained by contacting them directly at the addresses contained in Note 1, section A to this report.

#### **Custodial Credit Risk – Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, all or a portion of an entity's deposits may not be recovered. The State's component units' bank balances at June 30, 2005 were \$475,818,250 million. Of this total, \$24,567,815 was either insured or collateralized, while \$451,250,435 million

was uninsured and uncollateralized.

### Investments

Generally, the State's component units follow investing policies as determined by their board of directors. In some cases, underlying bond resolutions, letter of credit, and bond insurance providers have provided criteria to be followed. The University of Vermont and State Agricultural College (UVM) follows its "Cash Policy" which provides parameters for the investing of its operating funds. UVM endowment funds are invested in accordance with its Board of Trustees' formal investment policy. The State's component units' investments at June 30, 2005 are presented in the following schedule.

### Component Units Investments

(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in years)				Maturity Not Provided
		Less Than 1	1 to 5	6 to 10	More than 10	
<u>Debt Investments</u>						
U.S Treasuries	\$ 58,218	\$ 20	\$ 20	\$ -	\$ -	\$ 58,178
Agencies	22,801	-	22,652	-	-	149
Other Gov't Bonds & Notes	424	-	-	-	-	424
Industry Bonds	18,399	-	121	-	-	18,278
Mutual Funds	168,615	-	56,165	-	-	112,450
	268,457	\$ 20	\$ 78,958	\$ -	\$ -	\$ 189,479
<u>Other Investments</u>						
Certificate of Deposit	8,013					
Money Market	1,008					
Common Stock	57,182					
Preferred Stock	264					
Partnerships	6,900					
Real Estate	876					
Insurance	22					
Leases	307					
Hedge Funds	44,530					
Other	24,770					
Deposits with Trustees	38,814					
Total	\$ 451,143					

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Each of the State's component units manages its interest rate risk in accordance with its individual policy.

**Credit Risk of Debt Investments**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State's component units' debt investments at June 30, 2005 were rated by Standard and Poor's or a comparable national rating organization. A summary of the component units' ratings is presented in the following schedule.

**Component Unit Rated Debt Investments**

(Expressed in Thousands)

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>
U.S Treasuries	\$ 58,218	\$ 53,092	\$ -	\$ -	\$ -
Agencies	22,801	22,495	-	-	-
Other Gov't Bonds & Notes	424	-	-	-	-
Corporate Bonds	18,399	26	50	25	20
Mutual Funds	168,615	36,325	4,873	-	-

<u>Debt Investments</u>	<u>Quality Ratings</u>		
	<u>A</u>	<u>BB/B</u>	<u>Unrated</u>
U.S Treasuries	\$ -	\$ -	\$ 5,126
Agencies	-	-	306
Other Gov't Bonds & Notes	-	-	424
Corporate Bonds	-	-	18,278
Mutual Funds	5,253	2,240	119,924

**Custodial Credit Risk**

Custodial credit risk for investments is defined as the risk that, in the event of a failure of the counterparty, the entity will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. This type of risk is managed by each entity.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer.

**Note 3: INTERFUND BALANCES****A. Due From/To Other Funds**

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2005, are as follows.

Due From Other Funds	Due To Other Funds				
	Governmental Funds				
	General Fund	Transportation Fund	Special Fund	Education Fund	Federal Revenue Fund
General Fund	\$ -	\$ 13,707	\$ 9,458	\$ -	\$ 60,833
Transportation Fund	6,109	-	2,485	-	474,884
Education Fund	35,385	-	-	-	-
Special Fund	21,488,754	26,870	-	-	396,931
Federal Revenue Fund	113,831	502	12,216	-	-
Non-major Governmental Funds	-	-	5,421	-	-
Vermont Lottery Commission	-	-	-	11,632	-
Non-major Enterprise Funds	-	-	-	-	-
Internal Service Funds	-	1,975	-	-	-
Fiduciary Funds	4,291,700	3,848	4,487	90,214	62
<b>Total</b>	<b>\$ 25,935,779</b>	<b>\$ 46,902</b>	<b>\$ 34,067</b>	<b>\$ 101,846</b>	<b>\$ 932,710</b>

*continues below*

Due From Other Funds	Governmental Funds	Enterprise Funds		
	Non-major Governmental Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Internal Service Funds
General Fund	\$ -	\$ -	\$ 427,804	\$ -
Transportation Fund	-	-	-	-
Education Fund	-	-	-	-
Special Fund	21,057	-	-	6,009
Federal Revenue Fund	2,640	-	-	-
Non-major Governmental Funds	-	-	-	-
Vermont Lottery Commission	-	-	-	-
Non-major Enterprise Funds	-	19,399	-	-
Internal Service	-	-	-	113,808
Fiduciary Funds	-	-	-	-
<b>Total</b>	<b>\$ 23,697</b>	<b>\$ 19,399</b>	<b>\$ 427,804</b>	<b>\$ 119,817</b>

*continues below*

Due From Other Funds	Fiduciary Funds	Total
General Fund	\$ 19,423	\$ 531,225
Transportation Fund	11,162	494,640
Education Fund	510	35,895
Special Fund	599,859	22,539,480
Federal Revenue Fund	-	129,189
Non-major Governmental Funds	-	5,421
Vermont Lottery Commission	-	11,632
Non-major Enterprise Funds	-	19,399
Internal Service	-	115,783
Fiduciary Funds	2,904	4,393,215
<b>Total</b>	<b>\$ 633,858</b>	<b>\$ 28,275,879</b>

**B. Advances To/From Other Funds**

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursement needs. The General Fund advances to other funds at June 30, 2005, are summarized below.

<b>Proprietary Funds</b>	
Vermont Lottery Fund	\$ 300,000
Liquor Control Fund	5,700
Non-major Proprietary Funds	2,900
Internal Service Funds	15,100
<b>Total</b>	<b>\$ 323,700</b>

**C. Interfund Receivables/Payables**

Interfund receivables/payables represent amounts owed to the General Fund by the following funds at June 30, 2005, to eliminate negative cash balances in the State Treasurer's pooled cash.

<b>Proprietary Funds</b>	
Non-major Proprietary Funds	\$ 671,006
Internal Service Funds	30,091,309
<b>Fiduciary Funds</b>	
Agency Funds	456,704
<b>Total</b>	<b>\$ 31,219,019</b>

**D. Inter - Primary Government/Component Unit Balances****Due from Component Units/Due to Primary Government**

Due from component units consist of the amounts owed to the primary government for programs administered by component units in accordance with memoranda of understanding with State departments and for the elimination of negative balances in the State Treasurer's pooled cash.

	<b>Due to Primary Government</b>		
	<b>Vermont Housing &amp; Conservation Trust Fund</b>	<b>Vermont Economic Development Authority</b>	<b>Total</b>
<b>Due from Component Units</b>			
General Fund	\$ 1,050,247	\$ -	\$ 1,050,247
Special Fund	-	89,492	89,492
<b>Total</b>	<b>\$ 1,050,247</b>	<b>\$ 89,492</b>	<b>\$ 1,139,739</b>

**E. Interfund Transfers**

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts. Interfund transfers for the fiscal year ending June 30, 2005, are as follows.

Transfers In	Transfers Out				
	Governmental Funds				
	General Fund	Transportation Fund	Special Fund	Federal Revenue Fund	Non-major Governmental Funds
General Fund	\$ -	\$ -	\$ 12,595,202	\$ 6,210	\$ -
Transportation Fund	4,774,448	-	1,668,791	-	-
Education Fund	249,300,000	-	-	9,620,637	-
Special Fund	130,109,894	2,175,802	-	29,497,455	135,000
Federal Revenue Fund	-	-	-	-	3,441,811
Non-major Governmental Funds	2,367,186	346,196	208,929	-	-
Non-major Enterprise Funds	-	-	-	-	-
Internal Service Funds	845,486	100,000	-	-	-
<b>Total</b>	<b>\$ 387,397,014</b>	<b>\$ 2,621,998</b>	<b>\$ 14,472,922</b>	<b>\$ 39,124,302</b>	<b>\$ 3,576,811</b>

*continues below*

Transfers In	Transfers Out			
	Enterprise Funds			
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission	Internal Service Funds
General Fund	\$ -	\$ 278,525	\$ -	\$ -
Transportation Fund	-	-	-	2,600,000
Education Fund	-	-	20,354,442	-
Special Fund	-	-	90,000	2,388,010
Federal Revenue Fund	-	-	-	-
Non-major Governmental Funds	-	-	-	-
Non-major Enterprise Funds	318,157	-	-	-
Internal Service Funds	-	-	-	-
<b>Total</b>	<b>\$ 318,157</b>	<b>\$ 278,525</b>	<b>\$ 20,444,442</b>	<b>\$ 4,988,010</b>

*continues below*

Transfers In	Transfers Out	
	Fiduciary Funds	Total
General Fund	\$ 6,251,407	\$ 19,131,344
Transportation Fund	-	9,043,239
Education Fund	-	279,275,079
Special Fund	-	164,396,161
Federal Revenue Fund	-	3,441,811
Non-major Governmental Funds	-	2,922,311
Non-major Enterprise Funds	-	318,157
Internal Service Funds	-	945,486
<b>Total</b>	<b>\$ 6,251,407</b>	<b>\$ 479,473,588</b>

The Education Fund received transfers from the General Fund and the Vermont Lottery Commission to support the general State grant for local education and transfers from the Federal Revenue Fund for local school reimbursement of medicaid eligible costs.

The Special Fund received transfers from the General Fund for the State share of medicaid payments, and from the Federal Revenue Fund for the low income home energy assistance program and education medicaid reimbursements.

**Note 4: Capital Assets:**

Capital Assets activities for the fiscal year ended June 30, 2005 were as follows:

**Primary Government**

Governmental Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements	\$ 66,976,011	\$ 1,635,328	\$ -	\$ -	\$ 68,611,339
Construction in process	392,642,653	127,965,161	(54,558,806)	(20,562,597)	445,486,411
Works of Art	111,521	-	-	-	111,521
Total capital assets, not being depreciated	<u>459,730,185</u>	<u>129,600,489</u>	<u>(54,558,806)</u>	<u>(20,562,597)</u>	<u>514,209,271</u>
Capital assets, being depreciated:					
Buildings and improvements	299,927,822	9,043,718	(70,112)	-	308,901,428
Machinery and equipment	117,421,850	18,605,259	(10,394,853)	276,780	125,909,036
Infrastructure	1,095,723,685	46,267,152	(5,748,014)	105,643	1,136,348,466
Total capital assets, being depreciated	<u>1,513,073,357</u>	<u>73,916,129</u>	<u>(16,212,979)</u>	<u>382,423</u>	<u>1,571,158,930</u>
Less accumulated depreciation for:					
Buildings and improvements	(117,904,913)	(8,069,635)	392,542	4,333	(125,577,673)
Machinery and equipment	(65,918,883)	(15,400,798)	7,642,172	(336,684)	(74,014,193)
Infrastructure	(642,948,469)	(38,262,334)	5,226,940	6,457	(675,977,406)
Total accumulated depreciation	<u>(826,772,265)</u>	<u>(61,732,767)</u>	<u>13,261,654</u>	<u>(325,894)</u>	<u>(875,569,272)</u>
Total capital assets, being depreciated, net	<u>686,301,092</u>	<u>12,183,362</u>	<u>(2,951,325)</u>	<u>56,529</u>	<u>695,589,658</u>
Governmental activities capital assets, net	<u>\$ 1,146,031,277</u>	<u>\$ 141,783,851</u>	<u>\$ (57,510,131)</u>	<u>\$ (20,506,068)</u>	<u>\$ 1,209,798,929</u>
Business-type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclassifications	Ending Balance
Capital assets, being depreciated:					
Buildings and improvements	\$ 41,850	\$ -	\$ (5,350)	\$ -	\$ 36,500
Machinery and equipment	1,192,531	315,931	(173,900)	(164,573)	1,169,989
Total capital assets, being depreciated	<u>1,234,381</u>	<u>315,931</u>	<u>(179,250)</u>	<u>(164,573)</u>	<u>1,206,489</u>
Less accumulated depreciation for:					
Buildings and improvements	(27,078)	(4,813)	3,567	-	(28,324)
Machinery and equipment	(712,685)	(223,325)	89,966	151,513	(694,531)
Total accumulated depreciation	<u>(739,763)</u>	<u>(228,138)</u>	<u>93,533</u>	<u>151,513</u>	<u>(722,855)</u>
Total capital assets, being depreciated, net	<u>494,618</u>	<u>87,793</u>	<u>(85,717)</u>	<u>(13,060)</u>	<u>483,634</u>
Business-type activities capital assets, net	<u>\$ 494,618</u>	<u>\$ 87,793</u>	<u>\$ (85,717)</u>	<u>\$ (13,060)</u>	<u>\$ 483,634</u>

Current period depreciation expense was charged to functions of the Primary Government as follows:

<u>Governmental Activities:</u>		<u>Business-type Activities:</u>	
General Government	\$ 11,340,415	Liquor Control	\$ 142,866
Protection to Persons and Property	3,317,391	Lottery Commission	85,114
Human Services	1,111,208	Federal Surplus Property	158
Employment & Training	155,964	Total	<u>\$ 228,138</u>
General Education	21,480		
Natural Resources	1,369,848		
Commerce and Community Development	43,582		
Transportation	38,581,256		
Depreciation on Capital Assets held by the Internal Service Funds	5,791,623		
Total	<u>\$ 61,732,767</u>		

#### Discretely Presented Component Units

	Beginning Balance	Additions	Deletions	Adjustments and Reclass- ifications	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements	\$ 20,289,244	\$ 4,628,465	\$ -	\$ 350,003	\$ 25,267,712
Construction in process	19,577,336	67,569,079	(2,609,000)	(8,405,446)	76,131,969
Total capital assets, not being depreciated	<u>39,866,580</u>	<u>72,197,544</u>	<u>(2,609,000)</u>	<u>(8,055,443)</u>	<u>101,399,681</u>
Capital assets, being depreciated:					
Buildings and improvements	416,121,851	52,976,542	(468,000)	6,369,632	475,000,025
Machinery and equipment	109,339,774	8,499,179	(1,382,603)	129,537	116,585,887
Infrastructure	17,031,621	-	-	793,060	17,824,681
Total capital assets, being depreciated	<u>542,493,246</u>	<u>61,475,721</u>	<u>(1,850,603)</u>	<u>7,292,229</u>	<u>609,410,593</u>
Less accumulated depreciation	<u>(277,558,795)</u>	<u>(18,810,042)</u>	<u>2,560,274</u>	<u>(3)</u>	<u>(293,808,566)</u>
Total capital assets, being depreciated, net	<u>264,934,451</u>	<u>42,665,679</u>	<u>709,671</u>	<u>7,292,226</u>	<u>315,602,027</u>
Component unit capital assets, net	<u>\$ 304,801,031</u>	<u>\$ 114,863,223</u>	<u>\$ (1,899,329)</u>	<u>\$ (763,217)</u>	<u>\$ 417,001,708</u>

#### Note 5: RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS

##### A. Retirement Plan Descriptions

###### Defined Benefit Retirement Plans

In accordance with State Statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans and two defined contribution plans. These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. The

membership consists of:

- (1) general employees who did not join the non-contributory system on July 1, 1981 (Group A) with a contribution rate of 5.1% of payroll (contributions cease upon attainment of 25 years of creditable service),
- (2) State police, law enforcement positions and airport firefighters hired after July 1, 2000 (Group C) with a contribution rate of 6.28% of payroll,
- (3) judges (Group D) with a contribution rate of 5.1% of payroll,
- (4) terminated vested members of the non-contributory system (Group E), and
- (5) all other general employees (Group F) with a contribution rate of 3.35% of payroll.

The State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost sharing multiple-employer public employee retirement system. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State board of education. Membership in the system for those covered classes is a condition of employment. The membership is made up of:

- (1) general teachers who did not join the non-contributory system on July 1, 1981 (Group A) with a contribution rate of 5.5% of payroll (contributions cease upon attainment of 25 years of creditable service),
- (2) terminated vested members of the non-contributory system (Group B), and
- (3) all other general teachers (Group C) with a contribution rate of 3.4% of covered payroll.

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could elect to transfer their current memberships from a contributory to a non-contributory membership class (see Note 5 E. Single Deposit Investment Account). However, in 1990, the Legislature again made both systems contributory effective July 1, 1990 for the STRS and January 1, 1991 for the VSRS. The State's contribution to each system is based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are calculated based upon the liabilities of each system as determined by actuarial valuations. Present law provides that each system's unfunded accrued liability will be amortized over 30 years. This amortization began July 1, 1988 and has 13 years remaining (the liability will be fully amortized in fiscal year 2018).

The Vermont Municipal Employees Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost sharing multiple-employer public employees' retirement system that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employers is required to join the system upon the completion of three years of continuous service.

Prior to July 1, 1987, the State was statutorily responsible for contributions to the MERS' pension accumulation fund. Effective July 1, 1987 and thereafter, all payments to the system's pension accumulation fund are supported entirely by employer (municipal) and employee contributions. Employers make quarterly payments into the pension accumulation fund. These payments are percentages of annual earnable compensation for each membership group and consist of a "normal" and an "accrued liability" portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations.

### Defined Contribution Retirement Plans

In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional defined contribution plan for exempt state employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds.

The actuarial calculations were performed on a cost-neutral basis so that the accrued balances and liabilities were equivalent. Approximately 375 exempt employees representing 45% of the eligible employees elected to transfer to the defined contribution plan. Assets totaling \$21 million were transferred from the defined benefit plan to the defined contribution plan on January 4, 1999, as a result of the election. As the attendant decrease in liabilities in the defined benefit plan was equal to \$21 million, there was no material effect on the financial health of the defined benefit system resulting from the transfer. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan.

Employees are required to contribute at the rate of 2.85%. The State is required to contribute, to each employee's account, at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. For the fiscal year ended June 30, 2005, plan member contributions were \$611,344 and State employer contributions were \$1,501,312, while members transferred \$544,648 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2005, the Vermont State Defined Contribution Plan's net assets totaled \$32,958,720 and there were 591 participants.

The Legislature granted authority (24 V.S.A. 5070) to the Vermont Municipal Employees' Retirement System's Board of Trustees to establish a defined contribution plan that could be offered in lieu of the defined benefit plans currently available under the Municipal Retirement System. The board implemented a defined contribution plan that became available to new members effective July 1, 2000. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001 actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999 will have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective the following year's July 1.

Participating municipal employees and their employers are required to contribute at the rate of 5%. Employees become vested in the plan after 12 months of service. For fiscal year ending June 30, 2005, plan participants and the municipalities each contributed \$524,718 and \$523,133 respectively, while members transferred \$853 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2005, the Municipal Employees' Defined Contribution Plan's net assets totaled \$8,897,439 and there were 516 participants.

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, information describing each defined benefit plan's provisions including vesting requirements, benefits provided, post retirement adjustments, etc., and information relating to the two defined contribution plans are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6200.

**B. Plan Membership**

At June 30, 2005, VSRS, STRS, and MERS membership consisted of:

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Active employees:			
Vested	5,479	8,084	2,833
Non-vested	<u>2,589</u>	<u>2,660</u>	<u>2,992</u>
Total active employees	8,068	10,744	5,825
Retirees and beneficiaries of deceased retirees currently receiving benefits	4,002	4,592	1,090
Terminated employees entitled to benefits but not yet receiving them (vested)	832	2,906	363
Inactive members	<u>1,104</u>	<u>568</u>	<u>2,003</u>
Total participants	<u>14,006</u>	<u>18,810</u>	<u>9,281</u>

**C. Schedule of Employer Contributions**

Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions.

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Valuation date	06/30/05	06/30/05	07/01/05
Actuarial cost method	Entry age normal cost with frozen initial liability	Entry age normal cost with frozen initial liability	Projected benefit cost method
Amortization method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	13 years	13 years	14 years
Asset valuation method	Actuarial value of assets	Actuarial value of assets	Actuarial value of assets using a five year smoothing technique
<u>Actuarial assumptions</u>			
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increases	4.50%-7.79%	4.41%-10.68%	5.6%
Cost-of-living adjustments	1.5%-3.0%	1.5%-3.0%	1.5%-1.8%
<u>Post Retirement Adjustments</u>			
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%	Group A - 5%	N/A
Allowances in payment for at least one year adjusted for cost of living based on one-half of CPI but not in excess of percentage indicated	Group F - 5%	Group C - 5%	Group A - 2% Groups B, C & D - 3%

**Schedule Of Employer Contributions**

<u>Year Ended 6/30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>NPO Balance</u>
<b><u>VSRS</u></b>			
2003	\$ 24,715,309	98.70%	\$38,475,440
2004	29,023,431	91.81%	40,556,248
2005	36,019,056	101.32%	39,639,437
<b><u>STRS</u></b>			
2003	28,279,810	72.30%	94,842,655
2004	41,658,946	58.68%	110,965,452
2005	47,714,318	51.23%	133,282,049
<b><u>MERS</u></b>			
2003	5,854,111	100.00%	0
2004	6,616,630	100.00%	0
2005	7,359,628	100.00%	0

**D. State of Vermont's Annual Pension Cost and Net Pension Obligation**

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and the State Teachers' Retirement System at June 30, 2005 were as follows:

	<u>VSRS</u>	<u>STRS</u>
Annual Required Contribution (ARC)	\$36,019,056	\$47,714,318
Interest on NPO	3,244,500	8,877,326
Adjustment to ARC	<u>(3,686,932)</u>	<u>(9,828,765)</u>
Annual Pension Cost (APC)	35,576,624	46,762,879
Employer Contribution Made	<u>(36,493,435)</u>	<u>(24,446,282)</u>
Increase (Decrease) in NPO	(916,811)	22,316,597
NPO - Beginning of Year	<u>40,556,248</u>	<u>110,965,452</u>
NPO - End of Year	<u>\$39,639,437</u>	<u>\$133,282,049</u>
Percentage of APC contributed	102.58%	52.28%

**E. Single Deposit Investment Account**

Public Act 41 of the 1981 Session authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS). The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan reported in the Pension Trust Funds, was also established according to the provisions of this Act.

The STRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- 1) have both their accumulated employee contributions and accumulated interest returned to them; or
- 2) have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- 3) have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- 1) have both their accumulated employee contributions and accumulated interest returned to them; or
- 2) have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- 3) have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2005, there were 1,484 STRS members and 1,145 VSRS members, with net assets of \$100.9 million in the Single Deposit Investment Account.

**F. Other Post Employment Benefits**

The State offers post employment medical insurance, dental insurance, and life insurance benefits in addition to providing pension benefits.

**Medical Insurance**

Employees retiring directly from active State service for any reason (disability, early, or normal) including the State Police, may carry whatever coverage is in effect at that time into retirement for themselves and their dependents. During the lifetime of the retiree, 20% of the cost of the premium will be paid by the retiree and 80% paid by the State through the Pension Plan. If the retiree chooses the joint and survivor pension option, and predeceases his or her spouse, the medical benefits also continue for the spouse, along with the pension. However, generally the surviving spouse must pay 100% of the cost of the premium. If an employee does not retire directly from State service, they are not eligible to participate in the State's medical insurance plan. Likewise, if the insurance is terminated at any time after retirement, coverage will not be able to be obtained again at a later date. At June 30, 2005 there were 2,969 retirees receiving medical insurance benefits. The medical insurance plan is funded on a pay-as-you-go basis and no assets are being accumulated to fund future benefits. Retiree medical claim expenses for fiscal year 2005 were approximately \$17.7 million.

In addition, once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming secondary. The retiree's State insurance premium costs will then decrease in recognition of this change.

### Dental Insurance

Dental insurance is not normally continued after retirement, but a retiree may maintain coverage for up to eighteen months by paying 102% of the premium and making arrangements through the Department of Human Resources.

### Life Insurance

In the case of life insurance, if a State employee retires or terminates due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to \$5,000 with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

### Note 6: RESTRICTED NET ASSETS – Discretely Presented Component Units

Restricted net assets are those portions of total net assets that are not appropriable for expenditure or that are legally segregated for a specific future use. Net assets restricted at June 30, 2005 are as follows.

Discretely Presented Component Units	Vermont Student Assistance Corp	University Of Vermont	Vermont State Colleges	Non-major Component Units
<b>Restricted for:</b>				
Bond Resolution	\$ 52,696,000	\$ -	\$ -	-
Grants and Scholarships	2,040,000	-	-	-
Project Commitments	-	-	-	11,116,438
Restricted- Nonexpendable	-	61,880,000	9,234,941	-
Restricted- Expendable	-	228,333,000	2,430,010	15,310,551
Loans Receivable (1)	-	-	-	87,204,021
Total Component Units				
Restricted Net Assets	<u>\$ 54,736,000</u>	<u>\$ 290,213,000</u>	<u>\$ 11,664,951</u>	<u>\$ 113,631,010</u>

(1) Loans receivable for the Vermont Housing & Conservation Board include federally restricted funds.

### Note 7: LEASE COMMITMENTS

#### Operating Leases

The State is committed under various operating leases covering real property (land and buildings) and equipment. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are

considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2005:

Fiscal Year	Primary Government			Component Units		Reporting Entity Total
	Non-Cancelable Leases	Cancelable Leases	Total	Vermont State Colleges	Non-major Component Units	
2006	\$5,953,413	\$6,613	\$5,960,026	\$1,588,513	\$215,745	\$7,764,284
2007	5,057,981	6,317	5,064,298	1,275,719	188,845	6,528,862
2008	4,539,232	4,460	4,543,692	1,038,617	188,845	5,771,154
2009	3,849,600	4,175	3,853,775	283,484	41,632	4,178,891
2010	2,860,965	2,200	2,863,165	133,969	-	2,997,134
2011 to 2015	6,872,997	1,700	6,874,697	310,458	-	7,185,155
Totals	<u>\$29,134,188</u>	<u>\$25,465</u>	<u>\$29,159,653</u>	<u>\$4,630,760</u>	<u>\$635,067</u>	<u>\$34,425,480</u>

#### Capital Leases

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2005 are as follows:

Fiscal Year	Primary Government	Vermont State Colleges	Total Reporting Entity
2006	\$ 304,311	\$ 86,195	\$ 390,506
2007	274,563	73,122	347,685
2008	110,831	51,068	161,899
2009	97,728	32,973	130,701
2010	82,335	-	82,335
Total minimum lease payments	869,768	243,358	1,113,126
Less: interest	(175,678)	(12,000)	(187,678)
Present value of minimum lease payments	<u>\$ 694,090</u>	<u>\$ 231,358</u>	<u>\$ 925,448</u>

The State of Vermont, acting through its Agency of Transportation (AOT) entered into a capital lease with Main Street Landing Company, for premises in and adjacent to Union Station at 1 Main Street, Burlington, Vermont, on January 20, 1998. The term of the lease was for a 20 year period and the entire 20 year rent of \$1,500,000 was prepaid in four equal installments beginning November 26, 1996 and ending in 1998. The terms of the lease give the State the right to purchase a condominium interest in their leased property at the end of the lease term for \$500,000 subject to certain terms and conditions. The State is also required to pay its share of certain annual operating costs throughout the terms of the lease.

**Note 8: GENERAL OBLIGATION BONDS PAYABLE**

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways and assistance to municipalities for construction of water and sewage systems and local schools. Also, bonds have been authorized and issued to refund outstanding general obligation bonds.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. Except for zero coupon capital appreciation bonds, the bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

Changes in bonds principal payable during fiscal year 2005 are summarized as follows:

		General Obligation Bonds
Balance, July 1, 2004		\$ 469,123,782
Additions:		
Issuances	61,805,000	
Accretions	<u>2,741,957</u>	
Total		64,546,957
Deductions:		
Redemptions	49,385,000	
Defeased	<u>20,895,000</u>	
Total		<u>(70,280,000)</u>
Balance, June 30, 2005		<u>\$ 463,390,739</u>

During fiscal years 1991, 1992, and 1994, the State issued zero coupon capital appreciation bonds. Zero coupon capital appreciation bonds are bonds issued at a discount to their face value. Instead of interest being paid on a periodic (i.e. semi-annual) basis, an increase in the principal due (accreted amount) is recognized on a regular basis. The total accreted amount at maturity will be the face value of the bonds.

On December 1, 1993, the State issued capital appreciation bonds with a maturity value of \$32,625,000 maturing on August 1 in the years 1999 through 2013. Proceeds from these bonds totaled \$17,987,640 and have an accreted value of \$13,754,840 at June 30, 2005.

On October 30, 1991, capital appreciation bonds with a maturity value of \$20,575,000 were issued. These bonds mature on October 15 in the years 1996 through 2011. Proceeds from these bonds totaled \$9,999,837 and have an accreted value of \$7,237,138 at June 30, 2005.

During fiscal year 1991, capital appreciation bonds were issued with a maturity value of \$48,935,000 and are scheduled to mature on December 1 in the years 1995 through 2010. Proceeds from these bonds totaled \$19,310,002 and have an accreted value of \$20,186,762 at June 30, 2005.

Future general obligation debt service requirements at June 30, 2005 are as follows:

Fiscal Year	Current Interest Bonds		Capital Appreciation	Total
	Principal	Interest	Bonds	
2006	\$ 42,152,000	\$ 21,476,443	\$ 7,410,000	\$ 71,038,443
2007	40,895,000	20,174,244	7,495,000	68,564,244
2008	39,405,000	18,706,524	7,500,000	65,611,524
2009	38,895,000	17,143,577	7,495,000	63,533,577
2010	36,275,000	15,404,840	7,145,000	58,824,840
2011-2015	139,325,000	42,991,282	13,925,000	196,241,282
2016-2020	61,915,000	11,836,858	-	73,751,858
2021-2025	23,350,000	2,058,815	-	25,408,815
Totals	<u>\$ 422,212,000</u>	<u>\$149,792,583</u>	<u>\$ 50,970,000</u>	<u>\$ 622,974,583</u>

At June 30, 2005, there remains \$45,000,868 of authorized but unissued general obligation bonds.

See following page for a schedule of general obligation bonds outstanding at June 30, 2005.

## Note 9: BOND REFUNDINGS

### A. Bonds Defeased Through Refunding

As authorized by Vermont statutes, the State advance refunded certain general obligation bonds through the issuance of \$20,805,000 of general obligation refunding bonds during fiscal year 2005. Total proceeds (inclusive of premium) on the refunding bond sale were \$22,610,456. From these proceeds, \$22,431,596 was used to purchase United States Treasury Securities—State and Local Government Series that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, \$20,895,000 of refunded bonds is considered to be defeased and the liabilities have been removed from the State's financial statements. As a result of this refunding, the State has taken advantage of lower interest rates; and has decreased its aggregate debt service payments by \$744,747 over the next 15 years (to March 1, 2020). Further, the State will experience an economic gain (the difference between the present values of the debt service payments of the defeased bonds prior to refunding and refunding bonds) of \$716,685. As of June 30, 2005, \$20,895,000 of these defeased bonds remains outstanding.

### B. Prior Defeasance

During fiscal year 1998, the State of Vermont defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in an irrevocable trust. These trust assets are utilized to make all debt service payments on the defeased bonds. Accordingly, these trust assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2005, \$28,080,000 of these defeased bonds remains outstanding.

General Obligation Bonds outstanding at June 30, 2005 are comprised of the following issues:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value of Capital Appreciation Bonds	Maturity Value Sources of Payments			Maturity Value of Bonds Outstanding Total
					General Fund	Transportation Fund	Special Fund	
<b>General Obligation Current Interest Bonds:</b>								
8/1/1992	8/1/2008	3.0 to 5.75	\$ 71,280,000		\$ 10,670,000	\$ 65,000	\$ -	\$ 10,735,000
12/1/1995	1/15/2015	4.875 to 5.125	60,000,000		6,320,000	-	-	6,320,000
11/20/1996	1/15/2016	5.0 to 5.125	38,000,000		6,000,000	-	-	6,000,000
12/12/1996	1/15/2016	3.7 to 5.6	15,000,000		2,370,000	-	-	2,370,000
10/29/1997	1/15/2017	4.5 to 5.0	28,500,000		5,604,947	395,053	-	6,000,000
12/3/1997	1/15/2017	3.9 to 5.2	14,990,000		3,160,000	-	-	3,160,000
3/15/1998	1/15/2014	4.25 to 5.0	64,575,000		31,444,926	1,310,074	8,255,000	41,010,000
5/1/1998	1/15/2017	4.5 to 5.0	7,755,000		-	-	1,570,000	1,570,000
11/23/1998	1/15/2018	4.5 to 4.75	26,630,000		6,829,140	170,860	-	7,000,000
11/1/1999	2/1/2019	4.5 to 6.5	32,000,000		8,425,000	-	-	8,425,000
12/16/1999	2/1/2010	4.55 to 5.05	5,000,000		2,500,000	-	-	2,500,000
11/14/2001	8/1/2020	3.25 to 4.75	46,000,000		34,075,000	-	-	34,075,000
12/27/2001	8/1/2011	4.0 to 4.375	5,000,000		3,500,000	-	-	3,500,000
12/11/2002	8/1/2019	3.0 to 5.0	30,800,000		23,380,000	-	-	23,380,000
12/17/2002	8/1/2013	2.0 to 5.0	31,555,000		29,494,000	1,596,000	-	31,090,000
2/4/2003	8/1/2007	2.0 to 2.2	5,000,000		3,000,000	-	-	3,000,000
2/11/2004	2/1/2018	1.1 to 5.0	134,457,000		121,580,531	5,711,469	3,005,000	130,297,000
3/10/2004	3/1/2023	2.0 to 5.0	42,200,000		37,133,175	2,841,825	-	39,975,000
3/2/2005	3/1/2025	3.0 to 4.0	26,000,000		26,000,000	-	-	26,000,000
4/13/2005	3/1/2015	2.4 to 4.0	15,000,000		14,000,000	1,000,000	-	15,000,000
6/7/2005	3/1/2020	2.65 to 5.0	20,805,000		19,359,088	565,912	880,000	20,805,000
<b>Total General Obligation Current Interest Bonds</b>					<b>394,845,807</b>	<b>13,656,193</b>	<b>13,710,000</b>	<b>422,212,000</b>
<b>General Obligation Capital Appreciation Bonds:</b>								
12/13/90	12/01/10	N/A	19,310,002	48,935,000	24,665,000	-	-	24,665,000
10/30/91	10/15/11	N/A	9,999,837	20,575,000	8,995,000	-	-	8,995,000
12/01/93	08/01/13	N/A	17,987,640	32,625,000	17,310,000	-	-	17,310,000
<b>Total Maturity Value</b>					<b>50,970,000</b>	<b>-</b>	<b>-</b>	<b>50,970,000</b>
Less: Unaccreted Interest					9,791,261	-	-	9,791,261
<b>Total General Obligation Capital Appreciation Bonds</b>					<b>41,178,739</b>	<b>-</b>	<b>-</b>	<b>41,178,739</b>
<b>Total General Obligation Bonds</b>					<b>\$ 436,024,546</b>	<b>\$ 13,656,193</b>	<b>\$ 13,710,000</b>	<b>\$ 463,390,739</b>

**Note 10: RESTATEMENT OF NET ASSETS**

The June 30, 2004 net assets for the Vermont Sustainable Jobs Fund, a non-major component unit, were restated to recognize grant revenue for a grant from the Wending Foundation that had originally been reported as deferred revenue.

	<u>Vermont Sustainable Jobs Fund</u>
Balance June 30, 2004	\$ 55,071
Add grant revenue	<u>50,000</u>
Balance June 30, 2005, restated	<u>\$ 105,071</u>

**Note 11:** Not used.

**Note 12: CONTINGENT AND LIMITED LIABILITIES****CONTINGENT LIABILITIES**Vermont Economic Development Authority:

In 1974, the Vermont Legislature created the Vermont Industrial Development Authority, renamed it the Vermont Economic Development Authority (VEDA or the Authority) in 1993; and transferred the functions and the responsibilities of the Vermont Industrial Building Authority, Industrial Park Authority, and the Vermont Industrial Aid Board to it. Each of these original entities was relegated to a particular segment of industrial development. The Authority was established as a body corporate and politic and a public instrumentality of the State. It is governed by a twelve member board which consists of the Secretary of Commerce & Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and nine public members appointed by the Governor with the advice and consent of the Senate.

The Authority has the power to insure up to \$15 million of loans made by financial institutions for the purchase of land and construction of industrial building facilities in the State; to finance the purchase of machinery and equipment; and to provide working capital. The refinancing of existing loans is also possible under the act that created the Authority. As of June 30, 2005, the Authority had mortgage insurance contracts totaling \$8,475,247. The full faith and credit of the State is pledged to support these activities of the Authority.

The Authority is authorized to reimburse lenders participating in the Vermont Financial Access Program for losses incurred on loans that the lenders register with the Authority. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed \$2 million at any one time. The State's contingent liability at June 30, 2005 was \$868,081. The State's net cash contribution since inception is \$387,494.

Federal Grants:

The State receives federal grants that are subject to audit and review by federal grantor agencies. This could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting there from would not be material.

**LIMITED LIABILITIES****Vermont Economic Development Authority:**

The State has a limited liability for the Vermont Economic Development Authority. The Authority may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, the Authority must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

**Vermont Municipal Bond Bank:**

The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. Title 24, V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

**Vermont Housing Finance Agency:**

The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring reserve fund balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

**Note 13: LITIGATION**

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, it is believed that any ultimate liability to the State resulting from these suits, not covered by various insurance policies, would not materially affect the State's overall financial condition.

**Note 14: BUDGET STABILIZATION RESERVES**

The 1993 Legislature amended action taken by the 1987 Legislature by repealing legislation creating the Budget Stabilization Trust Fund and created separate Budget Stabilization Reserves within both the General Fund and Transportation Fund. The Education Fund Budget Stabilization Reserve was created by the 1999 Legislature. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances will consist of any unreserved undesignated surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. Pursuant to action taken by the Legislature, the Transportation Fund's Budget Stabilization Reserve at June 30, 2005 was \$11,098,230, the General Fund's Budget Stabilization Reserve was \$45,770,774 at June 30, 2005, and the Education Fund's Budget Stabilization Reserve at June 30, 2005 was \$22,901,303.

**Note 15: JOINT VENTURE**

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission which is an interstate body, both corporate and politic, serving as a common agency of the party states and representing them both collectively and individually in the exercise of its powers and duties. The commission is composed of one member from each of the party states. Each State's lottery commission appoints one of its members to this position. The three-member commission annually elects a chairperson from among its members. The commission is empowered to operate and administer Tri-State Lotto and to promulgate rules and regulations governing the establishment and operation of the lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the commission. Fifty percent of the gross sales from each State are aggregated in a common prize pool, and operating costs are charged proportionally to each of the party states. The remaining revenues generated within each State remain in that particular State.

At June 25, 2005, the commission had total assets of \$181,869,676, and total liabilities of \$157,958,237, decreases of \$21.48 million and \$25.94 million respectively compared to June 26, 2004. Significant liabilities at June 25, 2005 include a provision for prize contingency of \$2,611,481 and installment prize obligations of \$151,161,005. For the fiscal year ended June 25, 2005, the commission had operating revenues of \$64,895,152, a decrease of \$5.4 million; interest income of \$225,471, an increase of \$138,562; commissions, fees, and bonus expenses of \$7,865,771, a decrease of \$754,781; prize awards of \$32,292,278 a decrease of \$2.67 million; and other operating expenses of \$3,588,382, a decrease of \$373,030; all increases (decreases) as compared to the fiscal year ended June 26, 2004.

During fiscal year 2005, the commission made transfers to member states of \$21,374,192 versus \$22,850,750 during fiscal year 2004. This total included \$2,069,892 transferred to Vermont during fiscal year 2005, an increase of \$173,486 as compared to fiscal year 2004.

Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Rte. 302-Berlin, Barre, Vermont 05641.

**Note 16: RISK MANAGEMENT****A. Workers' Compensation and Liability Risk Management**

The Risk Management Division of the Department of Buildings and General Services administers all risk management for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The Risk Management Division sets aside assets and pays claims utilizing the following three Internal Service Funds:

Workers' Compensation Self Insurance Fund  
State Liability Self Insurance Fund  
Risk Management – All Other Fund (used for the purchase of commercial insurance)

The Workers' Compensation Fund covers all State employees pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). All claims are processed by Risk Management Division personnel and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's workers' compensation exposure is reliable. The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management Division utilizing departmental exposure and experience

factors.

The Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the workers' compensation program described above. Its exposure to risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. 5601. Exposure outside of Vermont is potentially unlimited. It is self-insured for the first \$250,000 of exposure and has purchased excess commercial insurance to cover the additional per-occurrence exposure in amounts of up to \$1,000,000 in Vermont and \$10,000,000 for claims that are not subject to the Vermont Tort Claims Act. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management Division, utilizing departmental exposure and experience factors. Beginning in fiscal year 2006, claims will be processed by Risk Management personnel. Prior to FY06 claims were administered by a third-party administrator (TPA), which will continue to manage those claims that were initiated during their contract term. The liability loss projections and the claims processing data are audited annually by outside claims adjusters.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered in the above funds or which are self-assumed. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, and various other miscellaneous coverage. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are the same as those listed above for the other funds.

#### **B. Health Care, Dental Insurance, Life Insurance, Employee Assistance, and Long Term Disability Funds For State Employee Benefit Plans**

The Employee Benefits and Wellness Division of the Department of Human Resources maintains medical, dental, life insurance, employee assistance, and long term disability program funds for the benefit of current State employees, retirees, retired former employees allowed participation by statute or labor agreement, legislators, employees and certain former employees of outside groups which have been declared eligible to participate by statute. All or some of these named groups may participate in each plan depending upon the plan. Temporary and contractual employees are not eligible to participate in these plans.

Participating employees share in the premium cost of all of the medical plans. Premium rate setting is performed by an outside actuary in conjunction with the Employee Benefits and Fiscal and Information Management groups. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience.

The current medical plan offerings include four plan options. TotalChoice, HealthGuard PPO, and SafetyNet are "preferred provider organization" indemnity-type plans. There is a lifetime limit on coverage for a participant in these three plans. The SelectCare POS is a "point of service" plan option, similar to an open-ended HMO. Members may opt out of the network but must meet a deductible and coinsurance to do so. There is no lifetime coverage limit, however, benefits are administered under a managed care arrangement. All four health plan options are self insured by the State. The State employs a third party administrator to provide administrative services, including claim payment. To limit the State's large claims exposure, the State has purchased stop loss insurance.

The self-funded State of Vermont Employee Dental Assistance Plan, provides up to \$1,000 regular dental benefits annually and up to \$1,750 lifetime for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss so no stop-loss insurance has been purchased. The Fiscal and Information Management group within the Department of Personnel sets the premium rates, in

consultation with the dental plan administrator's actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents.

The State of Vermont Employee Life Insurance Program consists of a Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest \$100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of \$5,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Fiscal and Information Management group calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees premiums and 100% of retirees' premium costs. Only current State employees, retired State employees and current members of outside groups are eligible to participate.

A Flexible Spending Account Program is available to active State employees only. This account allows pre-tax salary deductions to be used to reimburse eligible medical and dependent care expenses.

An Employee Assistance Program (EAP) is provided for the benefit of State employees and members of their immediate household. This program assists employees and family members in addressing problems that impact their lives including stress, family issues, financial, drugs and substance abuse, and other issues. Active State employees and their families are eligible for this program. The EAP Program Manager is paid a monthly fee based on the number of employees who work for the State. The plan provides up to 5 counseling sessions per case through a network of providers. No claims costs or claims liabilities are incurred under this plan by the State. The State pays 100% of the premium for this plan.

A Long Term Disability Program is provided as an income replacement benefit for certain State employees who become disabled due to non-occupational injury or illness, and the disability is expected to be permanent. The plan provides financial protection for State employees and their families by continuing a portion of their income while disabled. Only State employees who are not eligible to be represented by the employees' union, the Vermont State Employees Association, are eligible for this benefit. There is a one-year eligibility waiting period before coverage is effective. This plan is fully insured through an insurance company, so there is no liability to the State for claims. The premium is based on a percentage of the salaries of eligible participants. The State issues payment to the insurance company for the premium and the cost is then recovered from eligible employees in the following manner: Those eligible employees who are covered by a leave plan forfeit one day of sick leave per year. Those eligible employees who are not covered by a leave plan have a one-time 0.2% salary reduction in their next cost-of-living increase.

Presented on the following page is a table displaying three years' changes in the respective funds' claims liability amounts.

<u>Fund and Fiscal Year</u>	<u>Liability at Beginning of the Fiscal Year</u>	<u>Current FY Claims and Changes in Estimates</u>	<u>Current FY Claims Payments</u>	<u>Balance of Liability at End of Fiscal Year</u>
<b>Workers' Compensation</b>				
<b>Fund</b>				
FY 2003	\$12,953,161	\$10,014,881	\$ 7,479,065	\$15,488,977
FY 2004	15,488,977	4,778,463	5,796,437	14,471,003
FY 2005	14,471,003	5,791,361	5,482,971	14,779,393
<b>State Liability</b>				
<b>Insurance Fund</b>				
FY 2003	6,379,617	1,853,539	1,523,564	6,709,592
FY 2004	6,709,592	2,191,792	1,151,246	7,750,138
FY 2005	7,750,138	916,676	1,677,010	6,989,804
<b>Medical</b>				
<b>Insurance Fund</b>				
FY 2003	8,326,868	60,927,903	58,395,510	10,859,261
FY 2004	10,859,261	62,775,246	63,738,506	9,896,001
FY 2005	9,896,001	73,415,841	72,614,267	10,697,575
<b>Dental Insurance Fund</b>				
FY 2003	348,290	4,529,471	4,531,176	346,585
FY 2004	346,585	4,723,147	4,699,450	370,282
FY 2005	370,282	4,912,541	4,895,269	387,554

Worker's Compensation Fund - The FY2005 Current FY Claims and Changes in Estimates column includes \$65,368 for claims liability included in accounts payable in the prior year.

Medical Insurance Fund - The FY2004 Current FY Claims Payments column includes \$4,090 credited as a claims refund of expenditure from the carrier.

#### **NOTE 17: DEFICIT NET ASSETS**

The following individual funds had deficit total net assets or deficit unrestricted net assets at June 30, 2005:

##### **Business-type Proprietary Funds**

*Federal Surplus Property*: had a deficit unrestricted net asset balance of \$367,346 and a deficit total net asset balance of \$364,929 as of June 30, 2005. These deficits are primarily the result of (1) the auction prices received not being enough to offset the acquisition expenses incurred to obtain the auctioned items and (2) timing differences resulting from the recording of these acquisition expenses in a different year than the sale of same being recorded. As the activity of this program is dependent on final sales price received for goods sold, any continued deficit that cannot be recovered through normal business operations will probably result in a request for recapitalization of the program being made to the Legislature.

**Internal Service Funds**

*Highway Garage Fund:* had a deficit unrestricted net asset balance of \$3,370,689 as of June 30, 2005 as compared to a positive \$421,429 balance as of June 30, 2004. This deficit is the result of two major items. The first was the transfer of \$2,600,000 to the Transportation Fund per Act 6 Section 69b(a) of the 2005 Legislative session. This sum is to be returned to the Highway Garage Fund in FY2006. The second was, per Act 160 Section 56(a) of the 2005 Legislative session, a Fiscal Year 2005 only reduction of the amount transferred to Highway Garage Fund from the Transportation Fund under Title 19 VSA Section 13(c) whereby in 2005, only \$100,000 was transferred instead of the usual amount (one percent of the prior year Transportation Fund appropriations). In FY2006, the amount of \$2,253,447 will be transferred from the Transportation Fund to the Highway Garage Fund.

*Financial & HR Information Fund:* had a deficit unrestricted and a deficit total net asset balance of \$524,660 as of June 30, 2005. The Department of Finance and Management continues to monitor very closely the total net asset balance of the Financial and HR Information Fund. In FY2005 the net asset balance improved as a result of adjusted billing rates and through the recognition of vacancy savings. The department expects to continue to make progress eliminating this deficit in FY2006 and FY2007 using the same strategy.

*Communications & Information Technology:* had a deficit unrestricted net asset balance of \$1,999,884 and a deficit total net asset balance of \$1,140,631 as of June 30, 2005. The Department of Information and Innovation has restructured its business processes to concentrate on enterprise applications and to eliminate services that do not pay for themselves. The statewide email initiative will result in significant revenue increases as more departments and agencies utilize its e-mail service. The Department may consolidate the Communications & Information Technology fund and the GOVNet fund into one DII fund to reflect the new organizational structure and to save money. The Department is also pursuing other sources of funding for services that do not generate revenue. CIT expects to slowly retire this deficit over the next few years.

*GOVNet fund:* had a deficit unrestricted net asset balance of \$1,468,150 and a deficit total net asset balance of \$1,014,705 as of June 30, 2005. In fiscal 2006 revenues to this fund are projected to increase by over \$1 million due primarily to rate increases to users. The Department of Information and Innovation expects to significantly reduce this deficit in FY2006 and in FY2007.

*Supply Center:* had a deficit unrestricted net asset balance of \$3,123,751 but a positive total net asset balance of \$176,102 as of June 30, 2005. This unrestricted deficit is due to start up operations of the new Fleet program which is now being accounted for in this fund. To help cover the costs associated with rising program costs, gasoline prices, timing of purchases, etc., and to reduce the deficit, the program implemented new rates effective 10/1/2005. Rate increases to cover all costs and to help reduce the deficit will be instituted once the fleet program is fully operational and all costs are known.

*Copy Center Fund:* had a deficit unrestricted net asset balance of \$3,930,584 and a deficit total net asset balance of \$1,580,689 as of June 30, 2005. The operating and fund deficits are the result of operations with the convenience copier program and print shop. The Department of Buildings and General Services is currently reviewing the viability of these programs. Print shop activities, which have not received any rate increases over the last three years, will be requesting rate increases for FY2007.

*Postage Fund:* had a deficit unrestricted net asset balance of \$562,205 and a deficit total net asset balance of \$414,321 as of June 30, 2005. The operating and fund deficits are due to increased operational efficiencies in the program. These efficiencies include actions such as pre-sorting mail which results in lower costs charged to the State by the U.S. Postal Service, which are passed on in total to the customers but require approximately the same level of departmental costs to perform. The department is currently looking at keeping part of the savings to offset the costs incurred instead of passing them all on to the customers. A request to retain more of the cost savings to fund the program operations is proposed for FY2007.

*Facilities Operations Fund:* had a deficit unrestricted net asset balance of \$1,161,758 and a deficit total net asset balance of \$940,590 as of June 30, 2005. The fund deficit is a holdover deficit from previous fiscal years that is

the result of charging rates that were inadequate to cover operating costs. The Administration is contemplating making another payment in FY 2006 or FY 2007 towards reducing the outstanding deficit balance given the fact that the program is now, for the first time from an operating perspective, properly funded.

*Property Management Fund:* had a deficit unrestricted net asset balance of \$8,096,689 and a deficit total net asset balance of \$8,087,841. This fund deficit is an expected deficit given the purchase of 3 office buildings whose acquisition costs were financed by 20-year bonds. The funding for the payoff of these bonds is being received over a 50 year period. This deficit is calculated to continue growing until the bonds are paid off at which time the deficit will start to decrease annually and will be eliminated at the end of the 50-year recovery period. In addition, the operating costs associated with the Rutland parking garage as well as maintenance costs for other leased space maintained by the State are not being fully recovered through rental charges. The reduction of this portion of the deficit will be addressed through future lease negotiations.

*Risk Management - All Other Fund:* had a deficit unrestricted and a deficit total net asset balance of \$655,416 as of June 30, 2005. The fund will recover the costs from the policy holders through increased rates. The program is intended to purchase insurance coverage on behalf of specific customers for specific reasons. The policyholders are responsible for the total costs including overhead charges for the programs they participate in.

*Workers' Compensation Fund:* had a deficit unrestricted and a deficit total net asset balance of \$2,409,067 as of June 30, 2005 as compared to deficits \$5,032,090 and \$5,016,199 respectively at June 30, 2004. The fund deficit has been reduced in FY 2005 over FY 2004 through rate increases to departments. These deficit net asset balances will be further reduced as appropriate rate increases are instituted over the next few years.

*Long-Term Disability Fund:* had a deficit unrestricted and a deficit total net asset balance of \$2,553 as of June 30, 2005. The Long-Term Disability plan was rebid toward the end of calendar year 2004. The cost for the consultant who assisted with the rebidding was higher than budgeted, putting the plan into a deficit position. As a result, we increased the Long-Term Disability plan premium beginning January 2005. The deficit should be eliminated in FY2006.

**Note 18: CHANGES IN LONG-TERM LIABILITIES**

During the year ended June 30, 2005, the following changes occurred in long-term liabilities:

**PRIMARY GOVERNMENT**

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2005</u>	<u>Amounts due within one year</u>
<b>Governmental activities:</b>					
Bonds payable (1)	\$ 469,123,782	\$ 64,546,957	\$ 70,280,000	\$ 463,390,739	\$ 49,562,000
Capital leases payable	-	1,272,154	402,386	869,768	304,311
Compensated absences	28,100,643	42,410,352	41,276,713	29,234,282	17,848,807
Claims and judgements	32,487,424	84,971,051	84,604,149	32,854,326	11,085,129
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligation	151,521,700	22,316,597	916,811	172,921,486	-
Other liabilities	12,295,857	2,555,544	1,237,288	13,614,113	1,237,288
Total governmental activities long-term liabilities	<u>\$ 700,529,406</u>	<u>\$218,072,655</u>	<u>\$198,717,347</u>	<u>\$ 719,884,714</u>	<u>\$ 80,037,535</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 305,374	\$ 405,788	\$ 396,821	\$ 314,341	\$ 196,400
Lottery prize awards payable	4,814,301	57,895,819	58,185,569	4,524,551	470,847
Total business-type activities long-term liabilities	<u>\$ 5,119,675</u>	<u>\$ 58,301,607</u>	<u>\$ 58,582,390</u>	<u>\$ 4,838,892</u>	<u>\$ 667,247</u>
<b>Fiduciary:</b>					
Compensated absences	\$ 4,822	\$ 1,208	\$ 2,709	\$ 3,321	\$ 3,029
Total fiduciary long-term liabilities	<u>\$ 4,822</u>	<u>\$ 1,208</u>	<u>\$ 2,709</u>	<u>\$ 3,321</u>	<u>\$ 3,029</u>
<b>COMPONENT UNITS</b>					
Bonds and notes payable (2)	\$ 2,278,194,906	\$393,337,246	\$133,777,464	\$ 2,537,754,688	\$165,650,960
Capital leases payable	141,582	199,461	97,685	243,358	86,195
Accrued arbitrage rebate	9,766,598	14,287,178	2,902,208	21,151,568	835,955
Other liabilities	26,300,030	1,476,356	6,495,897	21,280,489	670,000
Total component units long-term liabilities	<u>\$ 2,314,403,116</u>	<u>\$409,300,241</u>	<u>\$143,273,254</u>	<u>\$ 2,580,430,103</u>	<u>\$167,243,110</u>

(1) Governmental activities bonds payable additions include \$2,741,957 of accretions on capital appreciation bonds.

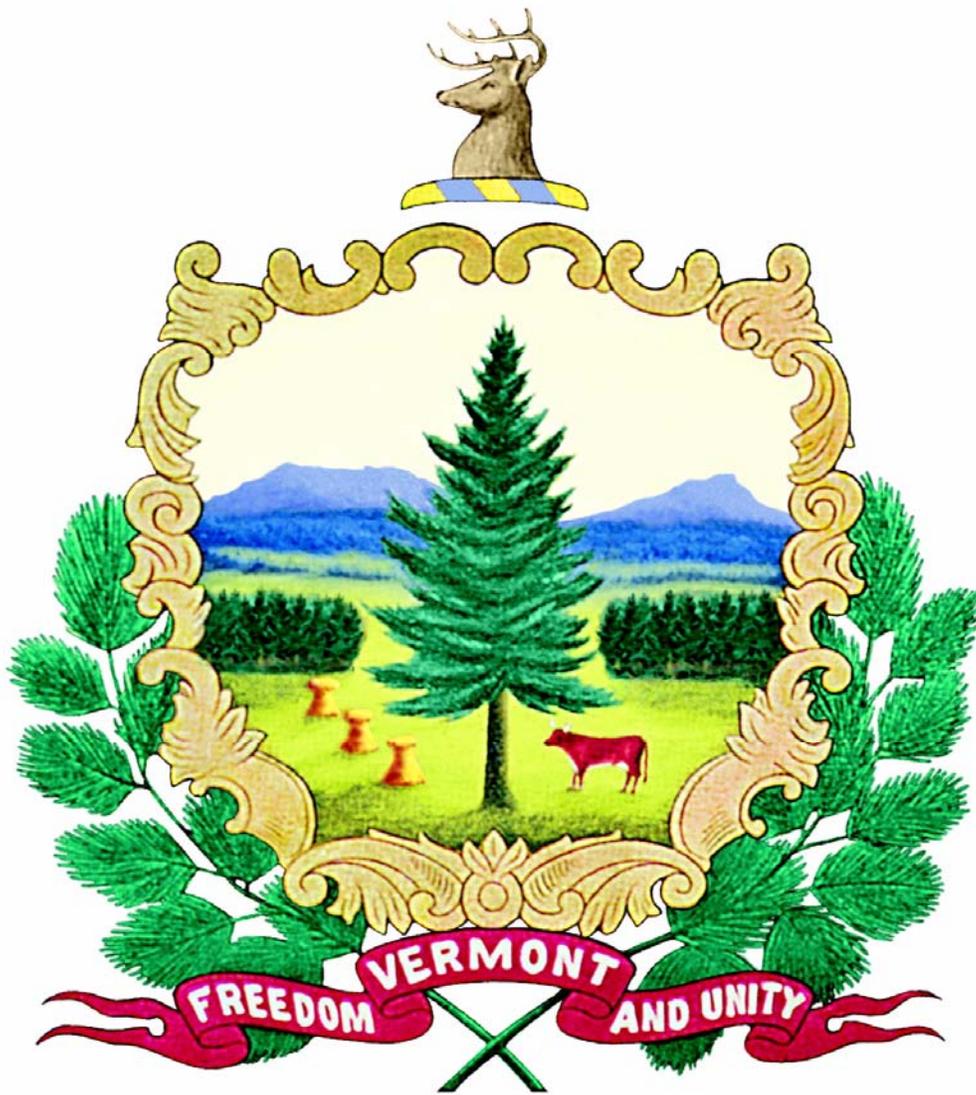
(2) Bonds and notes payable July 1, 2004 balance has been restated to include a \$2,745 increase due to a Vermont State Colleges restatement (see Note 10), and a \$7,000,000 decrease due to the removal of the Vermont Economic Development Authority's internal line of credit between its funds.

**Note 19: SUBSEQUENT EVENTS****Debt Issuances**

The State issued \$30,000,000 of 2005 Series D General Obligation Bonds dated November 22, 2005. Interest rates on these bonds vary from 3.5% to 5.0%. Payments to the bondholders are scheduled to commence July 15, 2006 and terminate July 15, 2025. The State issued \$15,000,000 of 2005 Series E General Obligation Bonds dated December 13, 2005. Interest rates on these bonds vary from 3.1% to 4.0%. Payments to bond holders are scheduled to commence July 15, 2006 and terminate July 15, 2015. The proceeds from these issuances will be used to fund capital improvements of the State authorized by the Legislature in Act 43 of 2005.

**Medicaid Reform**

The State entered into a Medicaid Demonstration Waiver agreement with the United States Department of Health and Human Services' Centers for Medicare and Medicaid Services on September 27, 2005. Vermont will demonstrate its ability to promote universal access to health care, cost containment and improved quality of care using a multi-disciplinary approach including the basic principles of public health and the fundamentals of effective administration. This agreement (*Global Commitment to Health*) will cap the federal spending for Medicaid services in Vermont for five years, based upon a mutually agreed upon base year and trend rate. This arrangement will apply to all Medicaid services in Vermont, with the exception of the Long-term Care Services for Elders and People with Physical Disabilities (which will be managed under a new separate Medicaid Demonstration Waiver), Disproportionate Share for Hospital payments, and the State Child Health Insurance Program. The State will be financially at risk for managing costs within the capped federal spending amount, and will benefit from any savings accrued due to program efficiencies that are achieved. As required by this agreement, the Vermont Agency of Human Services has contracted with the Office of Vermont Health Access, which will serve as a publicly sponsored managed care organization and adhere to all Federal managed care organization regulations.



**SUPPLEMENTARY INFORMATION**

*Required Supplementary Information  
(Unaudited)*

**State of Vermont**  
**Required Supplementary Information**  
**Defined Benefit Pension Plans**  
**Schedule of Funding Progress**  
(dollar amounts in 1000's)  
(Unaudited)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b><u>VSRS</u></b>						
2000	\$ 895,151	\$ 967,064	\$ 71,913	92.6%	\$ 266,519	27.0%
2001	954,821	1,026,993	72,172	93.0%	278,507	25.9%
2002	990,450	1,017,129	26,679	97.4%	300,994	8.9%
2003	1,025,469	1,052,004	26,535	97.5%	319,855	8.3%
2004	1,081,359	1,107,634	26,275	97.6%	336,615	7.8%
2005	1,148,908	1,174,796	25,888	97.8%	349,258	7.4%
<b><u>STRS</u></b>						
2000	1,037,466	1,174,087	136,621	88.4%	387,999	35.2%
2001	1,116,846	1,254,341	137,495	89.0%	403,258	34.1%
2002	1,169,294	1,307,202	137,908	89.5%	418,904	32.9%
2003	1,218,001	1,358,822	140,821	89.6%	437,239	32.2%
2004	1,284,833	1,424,662	139,829	90.2%	453,517	30.8%
2005	1,354,006	1,492,150	138,144	90.7%	468,858	29.5%
<b><u>MERS</u></b>						
2000	161,900	138,697	(23,203)	116.7%	87,147	-26.6%
2001	177,928	158,786	(19,142)	112.1%	101,873	-18.8%
2002	193,278	176,109	(17,169)	109.7%	106,986	-16.0%
2003	222,854	218,533	(4,321)	102.0%	126,216	-3.4%
2004	232,890	225,092	(7,798)	103.5%	135,351	-5.8%
2005	259,076	248,140	(10,936)	104.4%	146,190	-7.5%

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 919,133,300	\$ 949,076,300	\$ 1,011,116,977	\$ 62,040,677
Earnings of Departments.....	13,100,000	12,800,000	14,445,011	1,645,011
Other.....	17,766,700	19,423,700	9,770,736	(9,652,964)
<b>Total Revenues.....</b>	<b>950,000,000</b>	<b>981,300,000</b>	<b>1,035,332,724</b>	<b>54,032,724</b>
<b>Expenditures:</b>				
General Government.....	42,507,622	49,003,891	44,262,406	4,741,485
Protection to Persons and Property.....	71,917,292	78,333,040	74,339,564	3,993,476
Human Services.....	310,444,818	332,627,833	322,733,956	9,893,877
Employment and Training.....	1,086,261	1,547,643	1,205,785	341,858
General Education.....	117,886,234	141,995,478	124,841,794	17,153,684
Natural Resources.....	19,133,539	24,532,805	20,828,713	3,704,092
Commerce and Community Development.....	14,346,023	17,576,401	17,381,621	194,780
Debt Service.....	60,579,557	62,614,750	62,608,601	6,149
<b>Total Expenditures.....</b>	<b>637,901,346</b>	<b>708,231,841</b>	<b>668,202,440</b>	<b>40,029,401</b>
<b>Excess of Revenues over Expenditures.....</b>	<b>312,098,654</b>	<b>273,068,159</b>	<b>367,130,284</b>	<b>94,062,125</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	-	33,024,287	33,024,287	-
Operating Transfers Out.....	(341,908,164)	(366,463,740)	(366,463,740)	-
Proceeds from Escrow Restructuring.....	-	608,331	608,331	-
Proceeds from Sale Refunding Bonds.....	-	22,431,596	22,431,596	-
Payment to Escrow Agent.....	-	(22,431,596)	(22,431,596)	-
Premium on Sale of Bonds.....	-	91,689	91,689	-
<b>Total Other Financing Sources (Uses).....</b>	<b>(341,908,164)</b>	<b>(332,739,433)</b>	<b>(332,739,433)</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>(29,809,510)</b>	<b>(59,671,274)</b>	<b>34,390,851</b>	<b>94,062,125</b>
<b>Fund Balance, July 1.....</b>	<b>111,153,909</b>	<b>111,153,909</b>	<b>111,153,909</b>	<b>-</b>
<b>Fund Balance, June 30.....</b>	<b>\$ 81,344,399</b>	<b>\$ 51,482,635</b>	<b>\$ 145,544,760</b>	<b>\$ 94,062,125</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**TRANSPORTATION FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 144,366,700	\$ 140,532,000	\$ 138,173,814	\$ (2,358,186)
Licenses.....	54,500,000	57,400,000	58,413,475	1,013,475
Federal.....	178,434,065	182,904,635	142,743,346	(40,161,289)
Other.....	15,400,000	15,800,000	16,234,985	434,985
<b>Total Revenues.....</b>	<b>392,700,765</b>	<b>396,636,635</b>	<b>355,565,620</b>	<b>(41,071,015)</b>
<b>Expenditures:</b>				
General Government.....	9,298,789	10,020,381	9,614,678	405,703
Protection to Persons and Property.....	27,716,109	28,222,554	28,079,706	142,848
Human Services.....	1,624,062	1,643,760	1,643,760	-
General Education.....	4,040,672	4,297,454	4,061,753	235,701
Natural Resources.....	1,264,345	1,623,166	1,290,683	332,483
Transportation.....	358,188,916	375,051,424	312,801,540	62,249,884
Debt Service.....	2,514,264	2,356,088	2,356,088	-
<b>Total Expenditures.....</b>	<b>404,647,157</b>	<b>423,214,827</b>	<b>359,848,208</b>	<b>63,366,619</b>
<b>Excess of Revenues over (Under) Expenditures.....</b>	<b>(11,946,392)</b>	<b>(26,578,192)</b>	<b>(4,282,588)</b>	<b>22,295,604</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	873,643	9,043,239	9,043,239	-
Operating Transfers Out.....	-	(2,971,402)	(2,971,402)	-
Premium on Sale of Bonds.....	-	1,756	1,756	-
<b>Total Other Financing Sources (Uses).....</b>	<b>873,643</b>	<b>6,073,593</b>	<b>6,073,593</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>(11,072,749)</b>	<b>(20,504,599)</b>	<b>1,791,005</b>	<b>22,295,604</b>
<b>Fund Balance, July 1.....</b>	<b>13,432,283</b>	<b>13,432,283</b>	<b>13,432,283</b>	<b>-</b>
<b>Fund Balance, June 30.....</b>	<b>\$ 2,359,534</b>	<b>\$ (7,072,316)</b>	<b>\$ 15,223,288</b>	<b>\$ 22,295,604</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
EDUCATION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 861,460,000	\$ 864,659,000	\$ 865,841,873	\$ 1,182,873
Interest and Premiums.....	(200,000)	(298,400)	(512,384)	(213,984)
<b>Total Revenues.....</b>	<b>861,260,000</b>	<b>864,360,600</b>	<b>865,329,489</b>	<b>968,889</b>
<b>Expenditures:</b>				
General Education.....	1,143,951,880	1,156,956,002	1,155,205,938	1,750,064
<b>Total Expenditures.....</b>	<b>1,143,951,880</b>	<b>1,156,956,002</b>	<b>1,155,205,938</b>	<b>1,750,064</b>
<b>Excess of Revenues over (Under) Expenditures..</b>	<b>(282,691,880)</b>	<b>(292,595,402)</b>	<b>(289,876,449)</b>	<b>2,718,953</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	261,528,218	279,301,162	279,301,162	-
<b>Total Other Financing Sources (Uses)..</b>	<b>261,528,218</b>	<b>279,301,162</b>	<b>279,301,162</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>(21,163,662)</b>	<b>(13,294,240)</b>	<b>(10,575,287)</b>	<b>2,718,953</b>
<b>Fund Balance, July 1.....</b>	<b>39,478,431</b>	<b>39,478,431</b>	<b>39,478,431</b>	<b>-</b>
<b>Fund Balance, June 30.....</b>	<b>\$ 18,314,769</b>	<b>\$ 26,184,191</b>	<b>\$ 28,903,144</b>	<b>\$ 2,718,953</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**SPECIAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ -	\$ -	\$ 135,147,872	\$ 135,147,872
Licenses.....	-	-	12,753,681	12,753,681
Fines, Forfeits and Penalties.....	-	-	6,397,799	6,397,799
Earnings of Departments.....	-	-	65,294,302	65,294,302
Interest and Premiums.....	-	-	3,791,473	3,791,473
Other.....	-	-	116,008,761	116,008,761
Special Fund Revenues.....	362,761,851	458,535,975	-	(458,535,975)
<b>Total Revenues.....</b>	<b>362,761,851</b>	<b>458,535,975</b>	<b>339,393,888</b>	<b>(119,142,087)</b>
<b>Expenditures:</b>				
General Government.....	7,141,859	47,461,915	19,429,900	28,032,015
Protection to Persons and Property.....	57,562,462	67,200,022	59,083,800	8,116,222
Human Services.....	325,726,584	365,225,274	339,935,213	25,290,061
Employment and Training.....	3,919,167	4,084,772	4,068,763	16,009
General Education.....	16,143,537	16,989,099	15,752,232	1,236,867
Natural Resources.....	28,113,775	33,614,272	27,155,407	6,458,865
Commerce and Community Development.....	6,137,267	9,437,147	6,171,646	3,265,501
Transportation.....	1	755,681	517,230	238,451
Public Service Enterprises.....	-	-	1,803,688	(1,803,688)
Debt Service.....	2,388,010	2,388,010	2,388,010	-
<b>Total Expenditures.....</b>	<b>447,132,662</b>	<b>547,156,192</b>	<b>476,305,889</b>	<b>70,850,303</b>
<b>Excess of Revenues over (Under) Expenditures...</b>	<b>(84,370,811)</b>	<b>(88,620,217)</b>	<b>(136,912,001)</b>	<b>(48,291,784)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	114,133,358	143,307,143	143,307,143	-
Operating Transfers Out.....	-	(18,480,816)	(18,480,816)	-
Premium on Sale of Bonds.....	-	48,312	48,312	-
Proceeds from Sale of Refunding Bonds.....	-	178,860	178,860	-
<b>Total Other Financing Sources (Uses)...</b>	<b>114,133,358</b>	<b>125,053,499</b>	<b>125,053,499</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>29,762,547</b>	<b>36,433,282</b>	<b>(11,858,502)</b>	<b>(48,291,784)</b>
<b>Fund Balance, July 1.....</b>	<b>107,589,607</b>	<b>107,589,607</b>	<b>107,589,607</b>	<b>-</b>
<b>Fund Balance, June 30.....</b>	<b>\$ 137,352,154</b>	<b>\$ 144,022,889</b>	<b>\$ 95,731,105</b>	<b>\$ (48,291,784)</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**FEDERAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Federal.....	\$ 909,278,161	\$ 1,024,925,500	\$ 971,922,315	\$ (53,003,185)
Interest and Premiums.....	-	-	265,127	265,127
Other.....	-	-	3,208,889	3,208,889
<b>Total Revenues.....</b>	<b>909,278,161</b>	<b>1,024,925,500</b>	<b>975,396,331</b>	<b>(49,529,169)</b>
<b>Expenditures:</b>				
General Government.....	2,453,429	3,022,467	2,184,028	838,439
Protection to Persons and Property.....	42,038,733	56,662,950	46,711,824	9,951,126
Human Services.....	710,756,008	784,420,184	739,330,697	45,089,487
Employment and Training.....	20,618,541	20,678,307	18,678,976	1,999,331
General Education.....	109,684,625	112,911,002	104,274,668	8,636,334
Natural Resources.....	13,410,187	24,659,222	21,732,162	2,927,060
Commerce and Community Development.....	10,316,638	22,571,368	11,166,412	11,404,956
<b>Total Expenditures.....</b>	<b>909,278,161</b>	<b>1,024,925,500</b>	<b>944,078,767</b>	<b>80,846,733</b>
<b>Excess of Revenues over Expenditures.....</b>	<b>-</b>	<b>-</b>	<b>31,317,564</b>	<b>31,317,564</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers Out.....	(62,864,605)	(39,124,302)	(39,124,302)	-
<b>Total Other Financing Sources (Uses)...</b>	<b>(62,864,605)</b>	<b>(39,124,302)</b>	<b>(39,124,302)</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>(62,864,605)</b>	<b>(39,124,302)</b>	<b>(7,806,738)</b>	<b>31,317,564</b>
<b>Fund Balance, July 1.....</b>	<b>17,317,022</b>	<b>17,317,022</b>	<b>17,317,022</b>	<b>-</b>
<b>Fund Balance, June 30.....</b>	<b>\$ (45,547,583)</b>	<b>\$ (21,807,280)</b>	<b>\$ 9,510,284</b>	<b>\$ 31,317,564</b>

The accompanying notes are an integral part of the required supplementary information.

**Notes to Required Supplementary Information - Budgetary Reporting**  
**For the fiscal year ended June 30, 2005**  
**(Unaudited)**

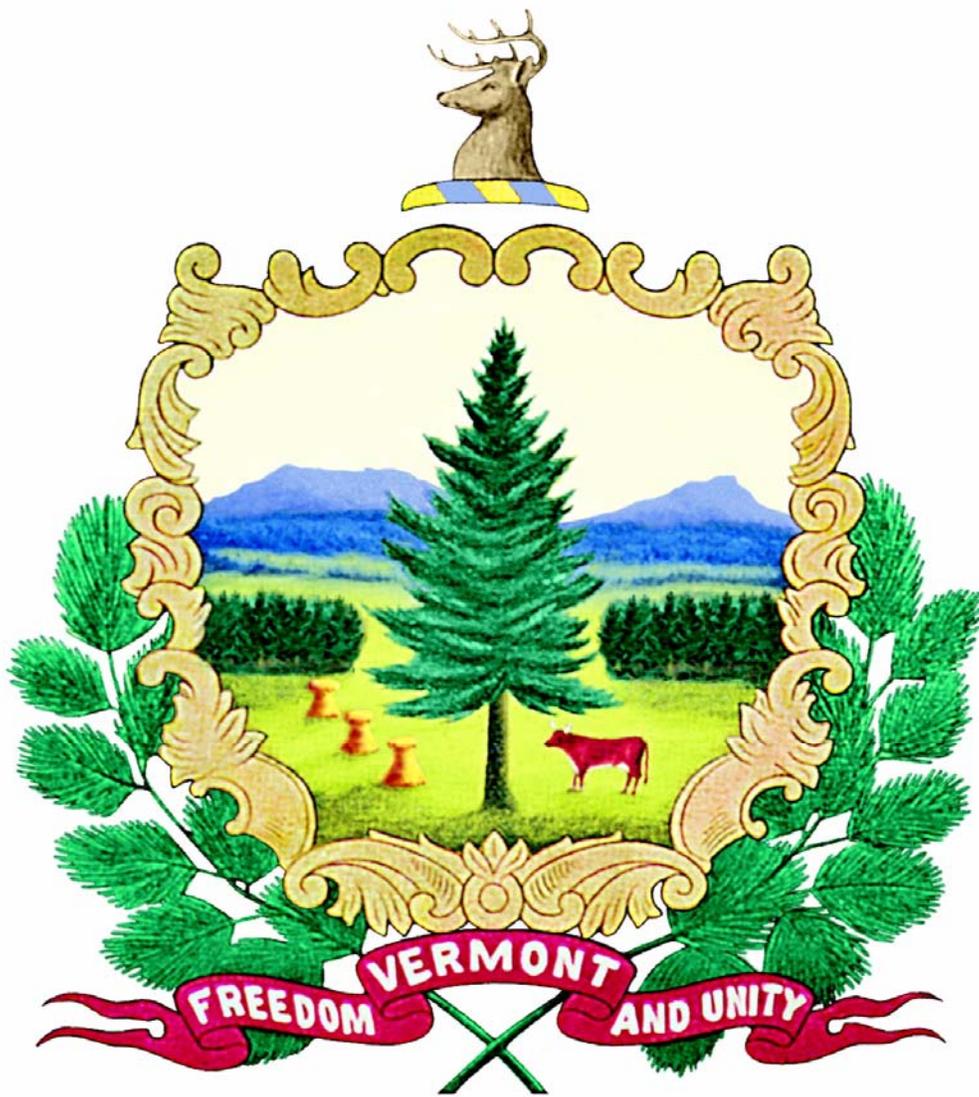
**RECONCILIATION OF BUDGETARY TO GAAP**

The State's annual budget is prepared on a basis (cash) other than GAAP. The actual results column of the "Budget and Actual" non-GAAP budgetary schedules are presented on a modified cash basis to provide a meaningful comparison to budget. The General and major Special Revenue Funds' statements are prepared on a modified accrual basis (GAAP). The major differences between the modified cash basis and the modified accrual basis are:

- 1 Expenditures are recognized when cash is paid or committed (budgetary) rather than when the obligation is incurred.
- 2 On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order not to double count revenues and expenditures.

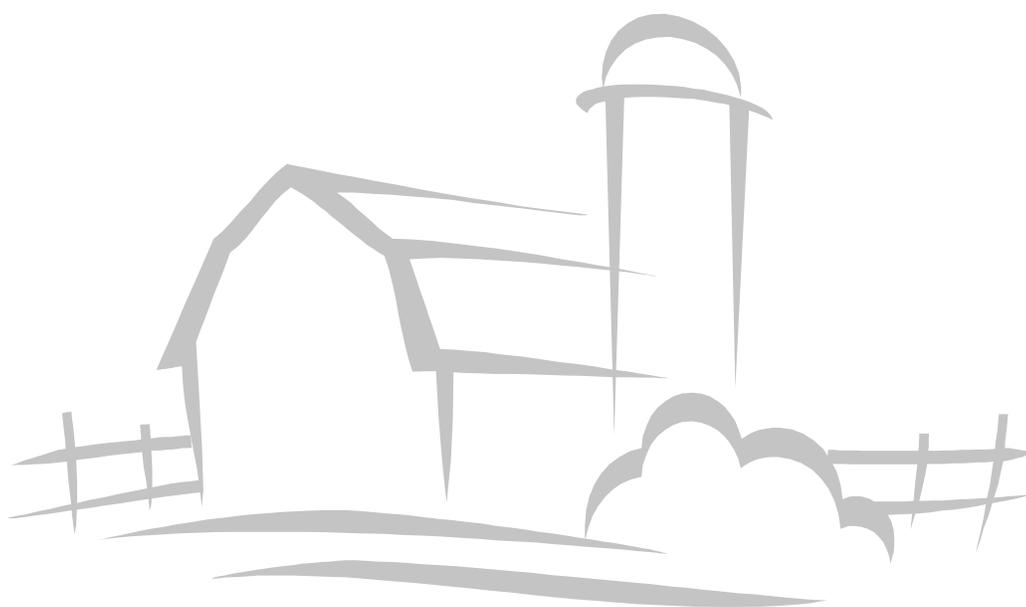
The following schedule reconciles the general and special revenue funds of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the fiscal year ended June 30, 2005.

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>	<u>Federal Revenue Fund</u>
Fund Balance - Budgetary Basis	\$ 145,544,760	\$ 15,223,288	\$ 28,903,144	\$ 95,731,105	\$ 9,510,284
<u>Basis of accounting and reporting entity differences:</u>					
To record cash on hand, restricted cash, market value of investments	-	2,328,685	-	146,962	-
To record taxes receivable	160,883,447	8,286,183	13,839,749	3,962,729	-
To record loans/notes receivable, due from other funds, and other receivables	2,791,799	7,194,902	35,895	36,567,908	14,631,651
To record due from federal government	-	17,195,155	-	-	114,827,548
To record due from component units	-	-	-	89,492	-
To record accounts and retainage payable, accrued liabilities, deferred revenue	(118,094,055)	(30,576,223)	(16,671,543)	(63,369,469)	(113,807,720)
To record tax refunds payable	(1,534,994)	-	-	-	-
To record due to other funds	(25,922,789)	(43,054)	(101,846)	(34,067)	(932,710)
To record effects of blended component units	-	2,619,516	-	2,473,000	27,676,626
To record removal of discretely presented component unit	-	-	-	(3,249,345)	1,310,329
Fund Balance - GAAP Basis	<u>\$ 163,668,168</u>	<u>\$ 22,228,452</u>	<u>\$ 26,005,399</u>	<u>\$ 72,318,315</u>	<u>\$ 53,216,008</u>

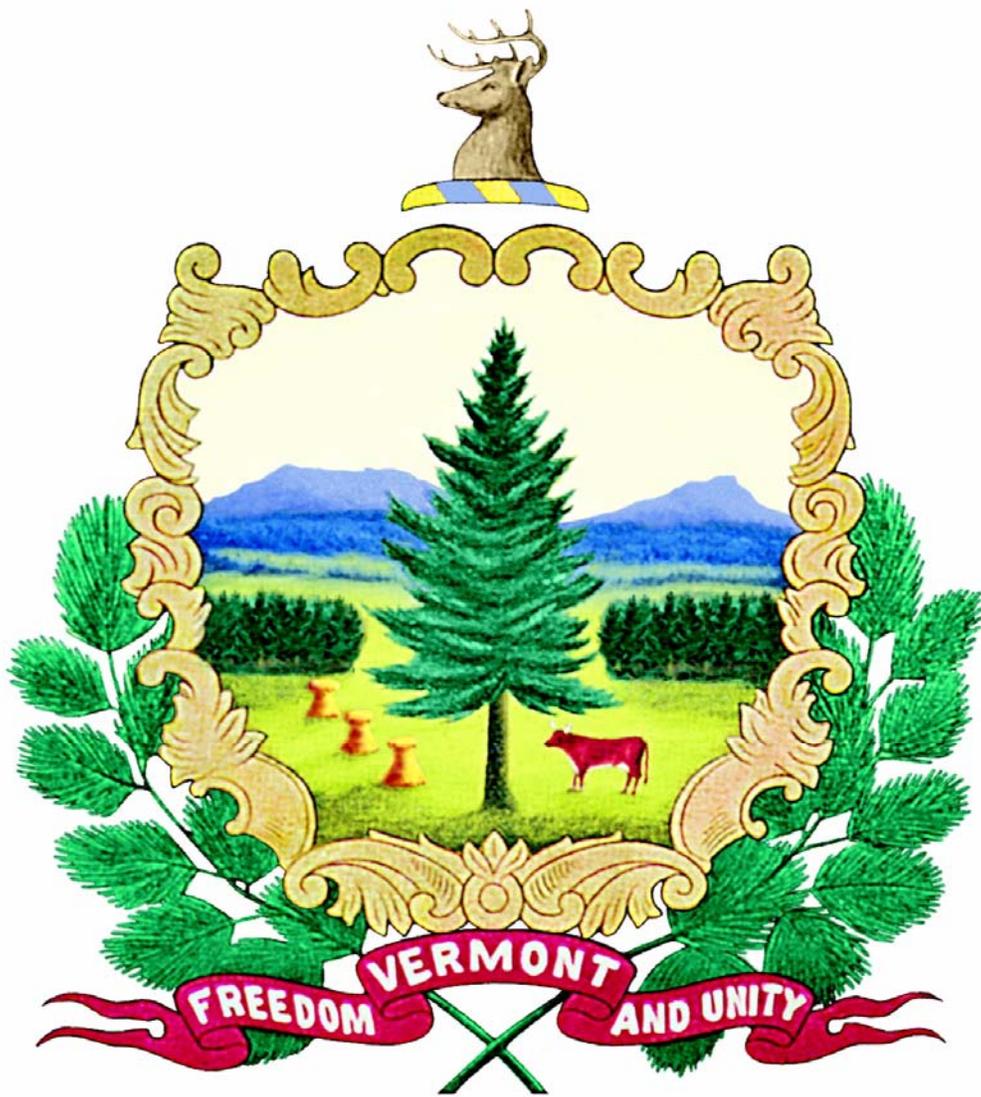


## ***COMBINING FINANCIAL STATEMENTS***

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*Vermont*



**NON-MAJOR  
GOVERNMENTAL FUNDS**

**State of Vermont  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2005**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish &amp; Wildlife Fund</u>	<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
<b>ASSETS:</b>			
Cash and cash equivalents.....	\$ 2,201,710	\$ 30,037,826	\$ 677,594
Investments.....	2,707,786	-	-
Receivables:			
Taxes receivable.....	84,352	-	-
Other receivables.....	384,714	-	-
Intergovernmental receivable - federal government.....	413,493	-	-
Due from other funds.....	5,421	-	-
<b>Total assets.....</b>	<b>\$ 5,797,476</b>	<b>\$ 30,037,826</b>	<b>\$ 677,594</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable.....	\$ 423,906	\$ 3,479,507	\$ 71,696
Accrued liabilities.....	497,812	328	-
Due to other funds.....	10,172	13,525	-
Retainage payable.....	-	503,761	131,211
Deferred revenue.....	19,041	-	-
<b>Total Liabilities.....</b>	<b>950,931</b>	<b>3,997,121</b>	<b>202,907</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances.....	102,294	5,698,815	-
Endowments.....	-	-	-
Unreserved:			
Designated for specific purposes.....	-	20,341,890	474,687
Undesignated.....	4,744,251	-	-
<b>Total fund balances.....</b>	<b>4,846,545</b>	<b>26,040,705</b>	<b>474,687</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 5,797,476</b>	<b>\$ 30,037,826</b>	<b>\$ 677,594</b>

See Independent Auditor's Report.

**Permanent Funds**

<b>Higher Education Endowment Fund</b>	<b>Vermont Sanitorium Fund</b>	<b>Albert C. Lord Trust Fund</b>	<b>Lumberjack Fund</b>
\$ 2,355,789	\$ 35,071	\$ 41,646	\$ 12,898
8,855,600	251,130	222,813	11,102
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<b>\$ 11,211,389</b>	<b>\$ 286,201</b>	<b>\$ 264,459</b>	<b>\$ 24,000</b>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
-	-	-	-
7,000,000	206,502	183,217	9,129
-	-	-	-
4,211,389	79,699	81,242	14,871
<b>11,211,389</b>	<b>286,201</b>	<b>264,459</b>	<b>24,000</b>
<b>\$ 11,211,389</b>	<b>\$ 286,201</b>	<b>\$ 264,459</b>	<b>\$ 24,000</b>

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**State of Vermont  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2005**

	<b>Permanent Funds</b>		
	<b>Couching Lion Farm Cemetery Fund</b>	<b>Carrie P. Underwood Fund</b>	<b>Laura H. Morgan Fund</b>
<b>ASSETS:</b>			
Cash and cash equivalents.....	\$ 17,994	\$ 3,888	\$ 407
Investments.....	2,347	13,512	3,040
Receivables:			
Taxes receivable.....	-	-	-
Other receivables.....	-	-	-
Intergovernmental receivable - federal government.....	-	-	-
Due from other funds.....	-	-	-
<b>Total assets.....</b>	<b>\$ 20,341</b>	<b>\$ 17,400</b>	<b>\$ 3,447</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable.....	\$ -	\$ -	\$ -
Accrued liabilities.....	-	-	-
Due to other funds.....	-	-	-
Retainage payable.....	-	-	-
Deferred revenue.....	-	-	-
<b>Total Liabilities.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances.....	-	-	-
Endowments.....	1,930	11,110	2,500
Unreserved:			
Designated for specific purposes.....	-	-	-
Undesignated.....	18,411	6,290	947
<b>Total fund balances.....</b>	<b>20,341</b>	<b>17,400</b>	<b>3,447</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 20,341</b>	<b>\$ 17,400</b>	<b>\$ 3,447</b>

<b>Permanent Funds</b>		
<b>Bennington Battle Monument Fund</b>	<b>Zenus H. Ellis Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ (26)	\$ (24)	\$ 35,384,773
1,658	1,551	12,070,539
-	-	84,352
-	-	384,714
-	-	413,493
-	-	5,421
<b>\$ 1,632</b>	<b>\$ 1,527</b>	<b>\$ 48,343,292</b>
\$ -	\$ -	\$ 3,975,109
-	-	498,140
-	-	23,697
-	-	634,972
-	-	19,041
<b>0</b>	<b>0</b>	<b>5,150,959</b>
-	-	5,801,109
1,065	1,000	7,416,453
-	-	20,816,577
567	527	9,158,194
<b>1,632</b>	<b>1,527</b>	<b>43,192,333</b>
<b>\$ 1,632</b>	<b>\$ 1,527</b>	<b>\$ 48,343,292</b>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish &amp; Wildlife Fund</u>	<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
<b>REVENUES:</b>			
Taxes:			
Motor fuel tax.....	\$ 1,013,806	\$ -	\$ -
Earnings of departments:			
Fees.....	9,610	-	-
Rents and leases.....	43,194	-	-
Federal grants.....	4,843,473	-	-
Fines, forfeits and penalties.....	45,234	-	-
Investment income.....	60,533	-	-
Licenses:			
Business.....	1,300	-	-
Non-business.....	5,688,366	-	-
Special assessments.....	1,941	-	-
Other revenues.....	623,635	-	-
<b>Total revenues.....</b>	<b><u>12,331,092</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>EXPENDITURES:</b>			
General government.....	-	24,501,973	-
Protection to persons and property.....	-	7,604,937	-
Human services.....	-	893,595	-
General education.....	-	9,437,612	-
Natural resources.....	12,047,197	6,930,854	-
Commerce and community development.....	-	872,646	-
Transportation.....	-	-	2,532,223
<b>Total expenditures.....</b>	<b><u>12,047,197</u></b>	<b><u>50,241,617</u></b>	<b><u>2,532,223</u></b>
<b>Excess of revenues over (under) expenditures.....</b>	<b><u>283,895</u></b>	<b><u>(50,241,617)</u></b>	<b><u>(2,532,223)</u></b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from the sale of bonds.....	-	40,000,000	1,000,000
Transfers in.....	381,963	176,992	-
Transfers out.....	-	(3,576,811)	-
<b>Total other financing sources (uses).....</b>	<b><u>381,963</u></b>	<b><u>36,600,181</u></b>	<b><u>1,000,000</u></b>
<b>Net change in fund balances.....</b>	<b><u>665,858</u></b>	<b><u>(13,641,436)</u></b>	<b><u>(1,532,223)</u></b>
<b>Fund balances, July 1.....</b>	<b><u>4,180,687</u></b>	<b><u>39,682,141</u></b>	<b><u>2,006,910</u></b>
<b>Fund balances, June 30.....</b>	<b><u>\$ 4,846,545</u></b>	<b><u>\$ 26,040,705</u></b>	<b><u>\$ 474,687</u></b>

See Independent Auditor's Report.

**Permanent Funds**

<b>Higher Education Endowment Fund</b>	<b>Vermont Sanitorium Fund</b>	<b>Albert C. Lord Trust Fund</b>	<b>Lumberjack Fund</b>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
778,309	17,753	15,922	968
-	-	-	-
-	-	-	-
-	-	-	-
<b>778,309</b>	<b>17,753</b>	<b>15,922</b>	<b>968</b>
-	-	-	-
-	-	-	-
555,167	-	-	-
-	-	-	-
-	-	-	-
<b>555,167</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>223,142</b>	<b>17,753</b>	<b>15,922</b>	<b>968</b>
-	-	-	-
2,363,356	-	-	-
-	-	-	-
<b>2,363,356</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2,586,498</b>	<b>17,753</b>	<b>15,922</b>	<b>968</b>
<b>8,624,891</b>	<b>268,448</b>	<b>248,537</b>	<b>23,032</b>
<b>\$ 11,211,389</b>	<b>\$ 286,201</b>	<b>\$ 264,459</b>	<b>\$ 24,000</b>

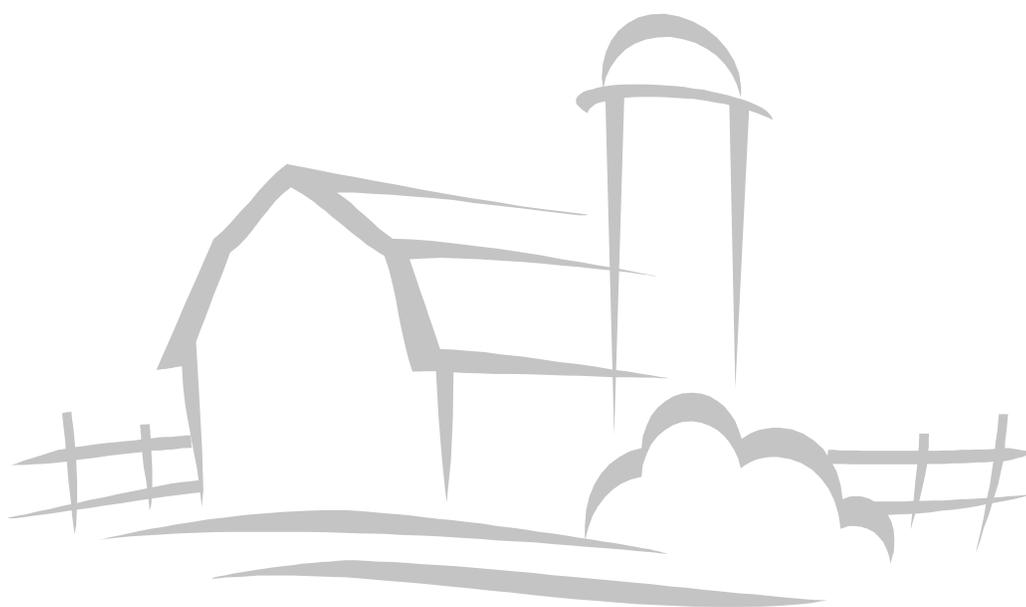
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**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

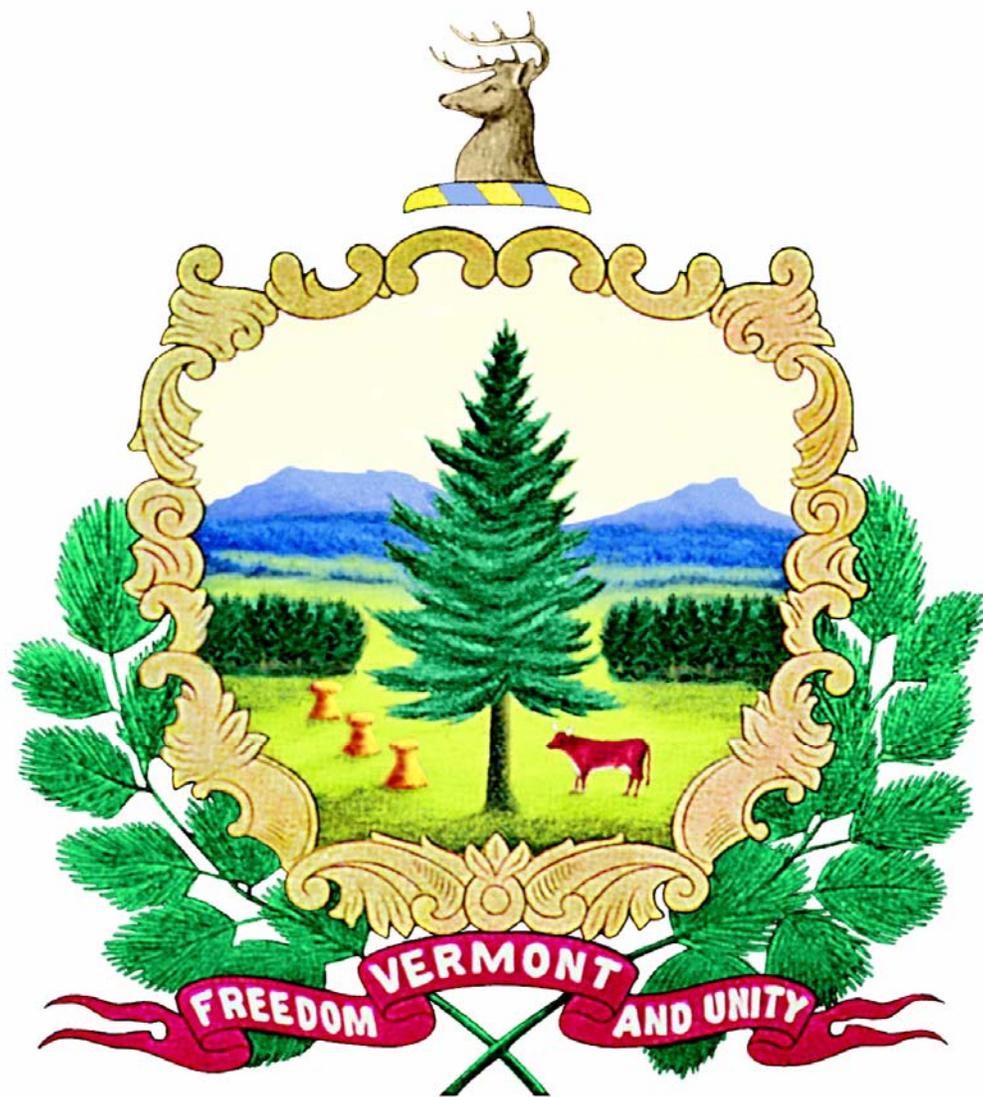
	Permanent Funds		
	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund	Laura H. Morgan Fund
<b>REVENUES:</b>			
Taxes:			
Motor fuel tax.....	\$ -	\$ -	\$ -
Earnings of departments:			
Fees.....	-	-	-
Rents and leases.....	-	-	-
Federal grants.....	-	-	-
Fines, forfeits and penalties.....	-	-	-
Investment income.....	450	988	215
Licenses:			
Business.....	-	-	-
Non-business.....	-	-	-
Special assessments.....	-	-	-
Other revenues.....	-	-	-
<b>Total revenues.....</b>	<b>450</b>	<b>988</b>	<b>215</b>
<b>EXPENDITURES:</b>			
General government.....	-	-	-
Protection to persons and property.....	-	-	-
Human services.....	-	-	-
General education.....	-	-	-
Natural resources.....	-	-	-
Commerce and community development.....	-	-	-
Transportation.....	-	-	-
<b>Total expenditures.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>450</b>	<b>988</b>	<b>215</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from the sale of bonds.....	-	-	-
Transfers in.....	-	-	-
Transfers out.....	-	-	-
<b>Total other financing sources (uses).....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balances.....</b>	<b>450</b>	<b>988</b>	<b>215</b>
<b>Fund balances, July 1 .....</b>	<b>19,891</b>	<b>16,412</b>	<b>3,232</b>
<b>Fund balances, June 30.....</b>	<b>\$ 20,341</b>	<b>\$ 17,400</b>	<b>\$ 3,447</b>

<b>Permanent Funds</b>		
<b>Bennington Battle Monument Fund</b>	<b>Zenus H. Ellis Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ -	\$ -	\$ 1,013,806
-	-	9,610
-	-	43,194
-	-	4,843,473
-	-	45,234
104	97	875,339
-	-	1,300
-	-	5,688,366
-	-	1,941
-	-	623,635
<b>104</b>	<b>97</b>	<b>13,145,898</b>
-	-	24,501,973
-	-	7,604,937
-	-	893,595
-	-	9,992,779
-	-	18,978,051
-	-	872,646
-	-	2,532,223
<b>0</b>	<b>0</b>	<b>65,376,204</b>
<b>104</b>	<b>97</b>	<b>(52,230,306)</b>
-	-	41,000,000
-	-	2,922,311
-	-	(3,576,811)
<b>0</b>	<b>0</b>	<b>40,345,500</b>
<b>104</b>	<b>97</b>	<b>(11,884,806)</b>
<b>1,528</b>	<b>1,430</b>	<b>55,077,139</b>
<b>\$ 1,632</b>	<b>\$ 1,527</b>	<b>\$ 43,192,333</b>

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*Vermont*



**NON-MAJOR  
ENTERPRISE FUNDS**

STATE OF VERMONT  
 COMBINING STATEMENT OF NET ASSETS  
 NON-MAJOR ENTERPRISE FUNDS  
 June 30, 2005

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents.....	\$ 56,526	\$ -	\$ -
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles).....	19,005	36,886	145,650
Loans receivable.....	-	-	-
Due from other funds.....	-	-	-
Inventories, at cost.....	-	257,984	123,383
Prepaid expenses.....	-	-	112,729
<b>Total current assets.....</b>	<b>75,531</b>	<b>294,870</b>	<b>381,762</b>
<b>Restricted and Noncurrent Assets:</b>			
Cash - subscription reserve fund.....	-	-	649,303
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	65,329
Imprest cash and change fund - advances.....	1,700	-	1,200
<b>Total restricted &amp; noncurrent assets.....</b>	<b>1,700</b>	<b>0</b>	<b>715,832</b>
<b>Capital Assets:</b>			
Machinery, equipment and buildings.....	-	10,000	16,989
Less accumulated depreciation.....	-	(7,583)	(16,989)
<b>Total capital assets, net of depreciation.....</b>	<b>0</b>	<b>2,417</b>	<b>0</b>
<b>Total assets.....</b>	<b>77,231</b>	<b>297,287</b>	<b>1,097,594</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable.....	-	819	58,718
Accrued salaries and benefits.....	5,859	7,576	76,474
Interfund payable.....	-	395,837	275,169
Deferred revenue.....	-	257,984	21,100
<b>Total current liabilities.....</b>	<b>5,859</b>	<b>662,216</b>	<b>431,461</b>
<b>Liabilities Payable From Restricted Assets:</b>			
Unexpired subscriptions.....	-	-	649,303
Advances from other funds.....	1,700	-	1,200
<b>Total liabilities payable from restricted assets.....</b>	<b>1,700</b>	<b>0</b>	<b>650,503</b>
<b>Total liabilities.....</b>	<b>7,559</b>	<b>662,216</b>	<b>1,081,964</b>
<b>NET ASSETS</b>			
Invested in Capital Assets.....	-	2,417	-
Unrestricted.....	69,672	(367,346)	15,630
<b>Total Net Assets.....</b>	<b>\$ 69,672</b>	<b>\$ (364,929)</b>	<b>\$ 15,630</b>

See Independent Auditor's Report.

<b>Municipal Equipment Loan Fund</b>	<b>Vermont Adaptive Equipment Revolving Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ 1,158,451	\$ -	\$ 169,451	\$ 1,384,428
7,026	-	-	7,026
-	-	-	201,541
793,088	-	-	793,088
-	-	19,399	19,399
-	-	-	381,367
-	-	-	112,729
<b>1,958,565</b>	<b>0</b>	<b>188,850</b>	<b>2,899,578</b>
-	-	-	649,303
792,486	-	-	792,486
-	-	-	65,329
-	-	-	2,900
<b>792,486</b>	<b>0</b>	<b>0</b>	<b>1,510,018</b>
-	-	-	26,989
-	-	-	(24,572)
<b>0</b>	<b>0</b>	<b>0</b>	<b>2,417</b>
<b>2,751,051</b>	<b>0</b>	<b>188,850</b>	<b>4,412,013</b>
-	-	-	59,537
-	-	-	89,909
-	-	-	671,006
-	-	-	279,084
<b>0</b>	<b>0</b>	<b>0</b>	<b>1,099,536</b>
-	-	-	649,303
-	-	-	2,900
<b>0</b>	<b>0</b>	<b>0</b>	<b>652,203</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>1,751,739</b>
-	-	-	2,417
2,751,051	-	188,850	2,657,857
<b>\$ 2,751,051</b>	<b>\$ 0</b>	<b>\$ 188,850</b>	<b>\$ 2,660,274</b>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Industrial Homework Office Fund</b>	<b>Federal Surplus Property Fund</b>	<b>Vermont Life Magazine Fund</b>
<b>Operating Revenues</b>			
Charges for sales and services.....	\$ 135,502	\$ 135,997	\$ 1,535,214
Advertising revenue.....	-	-	504,659
Federal donated property.....	-	458,746	-
Other operating revenues.....	-	-	83,125
<b>Total operating revenues.....</b>	<b>135,502</b>	<b>594,743</b>	<b>2,122,998</b>
<b>Operating Expenses</b>			
Cost of sales and services.....	-	464,738	612,041
Salaries and wages.....	132,735	59,332	742,681
Transportation.....	-	-	40,894
Contractual Services.....	-	867	-
Repairs & Maintenance.....	-	949	-
Depreciation.....	-	158	-
Rentals.....	-	19,440	-
Utilities.....	-	9,021	-
Equipment.....	-	1,098	-
Promotions and advertising.....	-	-	358,524
Administration.....	-	70,644	169,920
Insurance Premium Expense.....	-	317	-
Supplies.....	-	1,253	20,164
Distribution and postage.....	-	-	223,265
Travel.....	-	2,734	9,355
Loss on bad debts.....	-	-	2,457
Other operating expenses.....	-	-	14,219
<b>Total operating expenses.....</b>	<b>132,735</b>	<b>630,551</b>	<b>2,193,520</b>
<b>Operating income (loss).....</b>	<b>2,767</b>	<b>(35,808)</b>	<b>(70,522)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Gain (loss) on disposal of capital assets.....	-	(3,300)	-
Other.....	-	-	-
Investment income.....	-	-	5,935
<b>Total non-operating revenues (expenses).....</b>	<b>0</b>	<b>(3,300)</b>	<b>5,935</b>
<b>Income (loss) before transfers.....</b>	<b>2,767</b>	<b>(39,108)</b>	<b>(64,587)</b>
<b>Transfers</b>			
Transfer in.....	-	-	-
<b>Total transfers in.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Changes in net assets.....</b>	<b>2,767</b>	<b>(39,108)</b>	<b>(64,587)</b>
<b>Total net assets July 1 .....</b>	<b>66,905</b>	<b>(325,821)</b>	<b>80,217</b>
<b>Total net assets June 30.....</b>	<b>\$ 69,672</b>	<b>\$ (364,929)</b>	<b>\$ 15,630</b>

See Independent Auditor's Report.

<b>Municipal Equipment Loan Fund</b>	<b>Vermont Adaptive Equipment Revolving Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ -	\$ -	\$ -	\$ 1,806,713
-	-	-	504,659
-	-	-	458,746
30,415	35,595	-	149,135
<b>30,415</b>	<b>35,595</b>	<b>0</b>	<b>2,919,253</b>
-	790,945	-	1,867,724
-	-	-	934,748
-	-	-	40,894
-	-	-	867
-	-	-	949
-	-	-	158
-	-	-	19,440
-	-	-	9,021
-	-	-	1,098
-	-	-	358,524
-	19,856	-	260,420
-	-	-	317
-	-	-	21,417
-	-	-	223,265
-	-	-	12,089
-	43,593	-	46,050
-	-	51,938	66,157
<b>0</b>	<b>854,394</b>	<b>51,938</b>	<b>3,863,138</b>
<b>30,415</b>	<b>(818,799)</b>	<b>(51,938)</b>	<b>(943,885)</b>
-	-	-	(3,300)
-	-	(251,439)	(251,439)
16,042	2,977	1,811	26,765
<b>16,042</b>	<b>2,977</b>	<b>(249,628)</b>	<b>(227,974)</b>
<b>46,457</b>	<b>(815,822)</b>	<b>(301,566)</b>	<b>(1,171,859)</b>
-	-	318,157	318,157
<b>0</b>	<b>0</b>	<b>318,157</b>	<b>318,157</b>
<b>46,457</b>	<b>(815,822)</b>	<b>16,591</b>	<b>(853,702)</b>
<b>2,704,594</b>	<b>815,822</b>	<b>172,259</b>	<b>3,513,976</b>
<b>\$ 2,751,051</b>	<b>\$ 0</b>	<b>\$ 188,850</b>	<b>\$ 2,660,274</b>

**STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

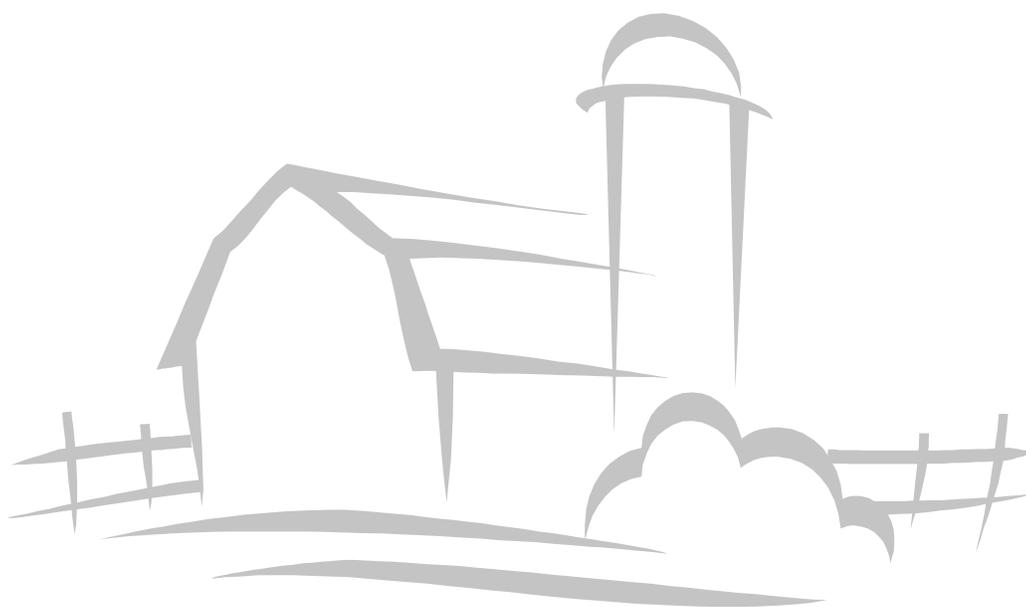
	<b>Industrial Homework Office Fund</b>	<b>Federal Surplus Property Fund</b>	<b>Vermont Life Magazine Fund</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers.....	\$ 139,397	\$ 123,336	\$ 1,990,205
Cash paid to suppliers for goods and services.....	(131,891)	(116,179)	(1,550,316)
Loans received (made).....	-	-	-
Cash paid to employees for services.....	-	(56,644)	(744,155)
Other operating revenues (expenses).....	-	-	83,125
<b>Net cash provided (used) by operating activities.....</b>	<b><u>7,506</u></b>	<b><u>(49,487)</u></b>	<b><u>(221,141)</u></b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interfund loans and advances.....	-	49,487	226,061
<b>Net cash (used) by noncapital financing activities.....</b>	<b><u>0</u></b>	<b><u>49,487</u></b>	<b><u>226,061</u></b>
<b>Cash Flows from Investing Activities:</b>			
Interest earned on investments.....	-	-	5,935
Interest & penalties received (paid).....	-	-	-
Excess cash transferred.....	-	-	-
<b>Net cash provided (used) by investing activities.....</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>5,935</u></b>
<b>Net increase (Decrease) in cash and cash equivalents.....</b>	<b>7,506</b>	<b>0</b>	<b>10,855</b>
<b>Cash and cash equivalents at July 1.....</b>	<b>50,720</b>	<b>-</b>	<b>639,648</b>
<b>Cash and cash equivalents at June 30 (see note below)...</b>	<b><u>\$ 58,226</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 650,503</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss).....	\$ 2,767	\$ (35,808)	\$ (70,522)
<b>Adjustments to reconcile operating income to Net cash provided (used) by operating activities:</b>			
Depreciation.....	-	158	-
(Increase) decrease in accounts/taxes receivable.....	3,895	(11,837)	(56,755)
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in inventories.....	-	417,181	(20,450)
(Increase) decrease in prepaid expenses.....	-	-	(21,251)
Increase (decrease) in accounts payable.....	-	(3,370)	(60,214)
Increase (decrease) in accrued salaries and benefits.....	844	1,370	(1,474)
Increase (decrease) in deferred revenue.....	-	(417,181)	(1,331)
Increase (decrease) in subscription reserves.....	-	-	10,856
<b>Total adjustments.....</b>	<b><u>4,739</u></b>	<b><u>(13,679)</u></b>	<b><u>(150,619)</u></b>
<b>Net cash provided (used) by operating activities.....</b>	<b><u>\$ 7,506</u></b>	<b><u>\$ (49,487)</u></b>	<b><u>\$ (221,141)</u></b>

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

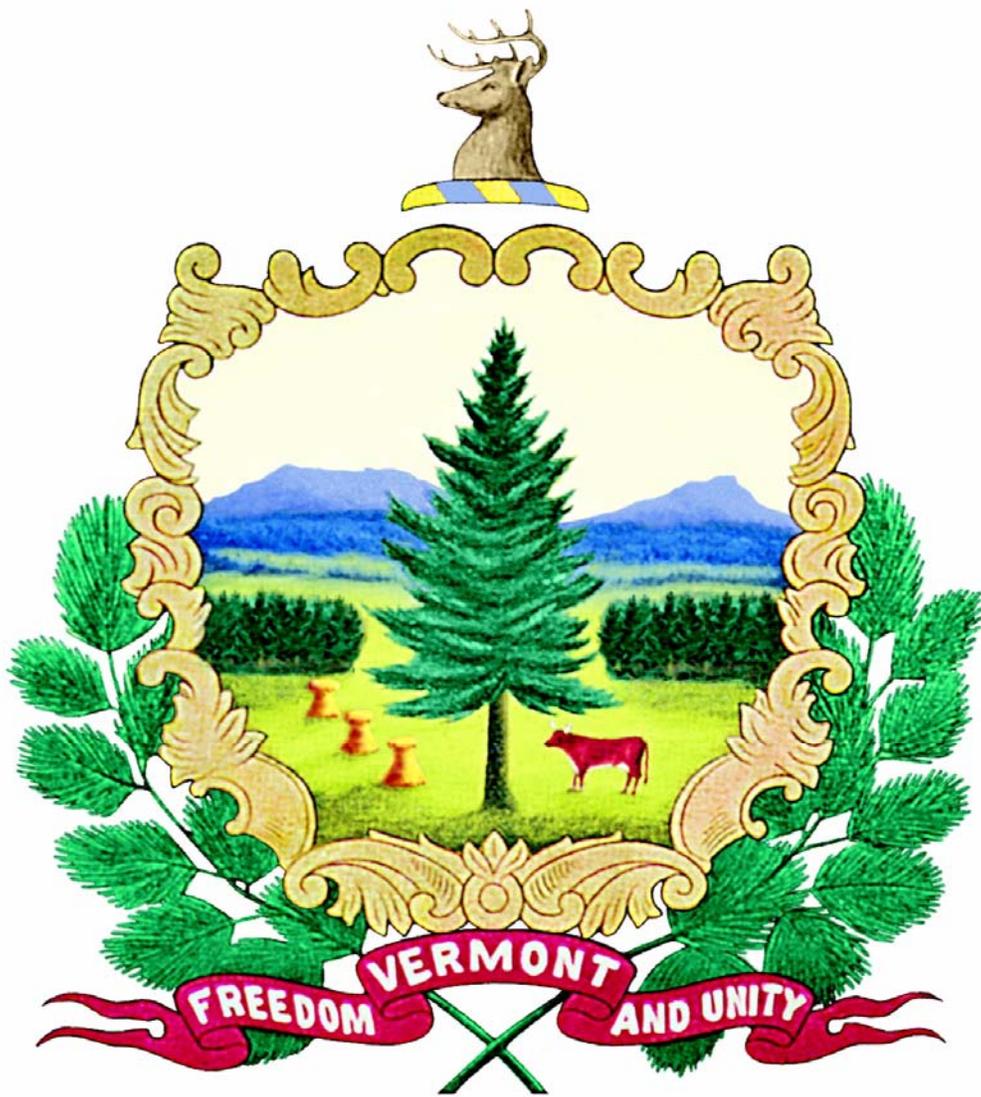
See Independent Auditor's Report.

<b>Municipal Equipment Loan Fund</b>	<b>Adaptive Equipment Revolving Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ 938,805	\$ 217,172	\$ -	\$ 3,408,915
(723,180)	(473,624)	-	(2,995,190)
-	44,070	-	44,070
-	-	-	(800,799)
-	(22,251)	(51,938)	8,936
<b>215,625</b>	<b>(234,633)</b>	<b>(51,938)</b>	<b>(334,068)</b>
-	-	-	275,548
<b>0</b>	<b>0</b>	<b>0</b>	<b>275,548</b>
16,042	2,977	1,811	26,765
-	-	319,490	319,490
-	-	(251,439)	(251,439)
<b>16,042</b>	<b>2,977</b>	<b>69,862</b>	<b>94,816</b>
<b>231,667</b>	<b>(231,656)</b>	<b>17,924</b>	<b>36,296</b>
<b>926,784</b>	<b>231,656</b>	<b>151,527</b>	<b>2,000,335</b>
<b>\$ 1,158,451</b>	<b>\$ 0</b>	<b>\$ 169,451</b>	<b>\$ 2,036,631</b>
\$ 30,415	\$ (818,799)	\$ (51,938)	\$ (943,885)
-	-	-	158
-	565,584	-	500,887
182,622	47,258	-	229,880
2,247	2,272	-	4,519
341	-	-	341
-	-	-	396,731
-	-	-	(21,251)
-	(30,948)	-	(94,532)
-	-	-	740
-	-	-	(418,512)
-	-	-	10,856
<b>185,210</b>	<b>584,166</b>	<b>-</b>	<b>609,817</b>
<b>\$ 215,625</b>	<b>\$ (234,633)</b>	<b>\$ (51,938)</b>	<b>\$ (334,068)</b>

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***INTERNAL SERVICE FUNDS***

STATE OF VERMONT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2005

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund	Financial & HR Information Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ -	\$ 100,980	\$ 125,637	\$ -
Accounts receivable.....	248,941	356,112	1,555	9,367
Due from other funds.....	1,975	-	-	-
Inventories, at cost.....	1,136,142	485,389	-	-
Prepaid expenses.....	11,346	-	-	-
<b>Total current assets.....</b>	<b>1,398,404</b>	<b>942,481</b>	<b>127,192</b>	<b>9,367</b>
Restricted and Other Assets:				
Imprest fund-advances from state treasurer.....	-	15,100	-	-
<b>Total restricted and other assets.....</b>	<b>0</b>	<b>15,100</b>	<b>0</b>	<b>0</b>
Capital Assets:				
Machinery, equipment and buildings.....	42,211,475	1,515,069	-	-
Accumulated depreciation.....	(20,425,409)	(948,975)	-	-
Net machinery, equipment and buildings.....	21,786,066	566,094	0	0
Land.....	26,156	-	-	-
<b>Total capital assets.....</b>	<b>21,812,222</b>	<b>566,094</b>	<b>0</b>	<b>0</b>
<b>Total assets.....</b>	<b>23,210,626</b>	<b>1,523,675</b>	<b>127,192</b>	<b>9,367</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable.....	471,452	62,971	6,313	52,916
Claims payable.....	-	-	-	-
Deferred revenue.....	-	8,213	-	-
Due to other funds.....	-	-	-	-
Interfund payable.....	4,069,836	-	-	146,635
Accrued salaries and benefits.....	227,805	128,232	-	334,476
<b>Total current liabilities.....</b>	<b>4,769,093</b>	<b>199,416</b>	<b>6,313</b>	<b>534,027</b>
Liabilities Payable from Restricted Assets:				
Advances from other funds.....	-	15,100	-	-
<b>Total liabilities.....</b>	<b>4,769,093</b>	<b>214,516</b>	<b>6,313</b>	<b>534,027</b>
<b>NET ASSETS</b>				
Invested in capital assets.....	21,812,222	566,094	-	-
Unrestricted (deficit).....	(3,370,689)	743,065	120,879	(524,660)
<b>Total net assets.....</b>	<b>\$ 18,441,533</b>	<b>\$ 1,309,159</b>	<b>\$ 120,879</b>	<b>\$ (524,660)</b>

See Independent Auditor's Report.

<b>Communcations &amp; Information Technology</b>	<b>GOVNET Fund</b>	<b>Supply Center Fund</b>	<b>Copy Center Fund</b>	<b>Postage Fund</b>	<b>Facilities Operations Fund</b>	<b>Property Management Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,388,049	336,866	717,631	707,621	290,011	926,496	394,666
95,000	-	-	-	-	-	-
189,591	-	-	-	382,394	-	-
342,575	-	-	21,697	56,047	8,550	596,797
<b>3,015,215</b>	<b>336,866</b>	<b>717,631</b>	<b>729,318</b>	<b>728,452</b>	<b>935,046</b>	<b>991,463</b>
-	-	-	-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2,010,085	1,636,703	6,481,601	4,132,456	611,113	964,554	37,986
(1,150,832)	(1,183,258)	(3,181,748)	(1,782,561)	(463,229)	(743,386)	(29,138)
859,253	453,445	3,299,853	2,349,895	147,884	221,168	8,848
-	-	-	-	-	-	-
<b>859,253</b>	<b>453,445</b>	<b>3,299,853</b>	<b>2,349,895</b>	<b>147,884</b>	<b>221,168</b>	<b>8,848</b>
<b>3,874,468</b>	<b>790,311</b>	<b>4,017,484</b>	<b>3,079,213</b>	<b>876,336</b>	<b>1,156,214</b>	<b>1,000,311</b>
765,446	342,155	323,813	221,645	3,362	940,517	121,211
-	-	-	-	-	-	-
37,899	-	-	-	-	-	-
-	95,000	-	-	-	-	-
3,914,884	1,307,214	3,495,974	4,372,865	1,227,896	30,907	8,837,771
296,870	60,647	21,595	65,392	59,399	1,125,380	129,170
<b>5,015,099</b>	<b>1,805,016</b>	<b>3,841,382</b>	<b>4,659,902</b>	<b>1,290,657</b>	<b>2,096,804</b>	<b>9,088,152</b>
-	-	-	-	-	-	-
<b>5,015,099</b>	<b>1,805,016</b>	<b>3,841,382</b>	<b>4,659,902</b>	<b>1,290,657</b>	<b>2,096,804</b>	<b>9,088,152</b>
859,253	453,445	3,299,853	2,349,895	147,884	221,168	8,848
(1,999,884)	(1,468,150)	(3,123,751)	(3,930,584)	(562,205)	(1,161,758)	(8,096,689)
<b>\$ (1,140,631)</b>	<b>\$ (1,014,705)</b>	<b>\$ 176,102</b>	<b>\$ (1,580,689)</b>	<b>\$ (414,321)</b>	<b>\$ (940,590)</b>	<b>\$ (8,087,841)</b>

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STATE OF VERMONT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 June 30, 2005

	Equipment Revolving Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ -	\$ 464,467	\$ 9,008,655	\$ -
Accounts receivable.....	1,742,205	6,645	12,985	329,748
Due from other funds.....	-	-	-	-
Inventories, at cost.....	-	2,652	-	-
Prepaid expenses.....	-	-	-	-
<b>Total current assets.....</b>	<b>1,742,205</b>	<b>473,764</b>	<b>9,021,640</b>	<b>329,748</b>
Restricted and Other Assets:				
Imprest fund-advances from state treasurer.....	-	-	-	-
<b>Total restricted and other assets.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Assets:				
Machinery, equipment and buildings.....	-	8,800	-	-
Accumulated depreciation.....	-	(3,346)	-	-
Net machinery, equipment and buildings.....	0	5,454	0	0
Land.....	-	-	-	-
<b>Total capital assets.....</b>	<b>0</b>	<b>5,454</b>	<b>0</b>	<b>0</b>
<b>Total assets.....</b>	<b>1,742,205</b>	<b>479,218</b>	<b>9,021,640</b>	<b>329,748</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable.....	11,571	350,016	1,606	18,193
Claims payable.....	-	-	6,989,804	-
Deferred revenue.....	-	2,652	-	-
Due to other funds.....	6,009	-	14,539	4,269
Interfund payable.....	1,724,625	-	-	962,702
Accrued salaries and benefits.....	-	6,636	-	-
<b>Total current liabilities.....</b>	<b>1,742,205</b>	<b>359,304</b>	<b>7,005,949</b>	<b>985,164</b>
Liabilities Payable from Restricted Assets:				
Advances from other funds.....	-	-	-	-
<b>Total liabilities.....</b>	<b>1,742,205</b>	<b>359,304</b>	<b>7,005,949</b>	<b>985,164</b>
<b>NET ASSETS</b>				
Invested in capital assets.....	-	5,454	-	-
Unrestricted (deficit).....	-	114,460	2,015,691	(655,416)
<b>Total net assets.....</b>	<b>\$ 0</b>	<b>\$ 119,914</b>	<b>\$ 2,015,691</b>	<b>\$ (655,416)</b>

<b>Workers' Compensation Fund</b>	<b>Medical Insurance Fund</b>	<b>Dental Insurance Fund</b>	<b>Life Insurance Fund</b>	<b>Long-Term Disability Fund</b>	<b>Employees' Assistance Fund</b>	<b>Total Internal Service Funds</b>
\$ 12,470,057	\$ 20,459,763	\$ 773,816	\$ 558,654	\$ 5,022	\$ 61,630	\$ 44,028,681
25,714	2,848,146	215,839	67,599	7,115	8,879	11,642,190
18,808	-	-	-	-	-	115,783
-	-	-	-	-	-	2,196,168
-	-	-	-	-	-	1,037,012
<b>12,514,579</b>	<b>23,307,909</b>	<b>989,655</b>	<b>626,253</b>	<b>12,137</b>	<b>70,509</b>	<b>59,019,834</b>
-	-	-	-	-	-	15,100
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,100</b>
-	-	-	-	-	-	59,609,842
-	-	-	-	-	-	(29,911,882)
0	0	0	0	0	0	29,697,960
-	-	-	-	-	-	26,156
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,724,116</b>
<b>12,514,579</b>	<b>23,307,909</b>	<b>989,655</b>	<b>626,253</b>	<b>12,137</b>	<b>70,509</b>	<b>88,759,050</b>
52,222	682,653	42,884	116,456	14,690	57,318	4,659,410
14,779,393	10,697,575	387,554	-	-	-	32,854,326
-	1,392,564	-	-	-	-	1,441,328
-	-	-	-	-	-	119,817
-	-	-	-	-	-	30,091,309
92,031	68,230	3,622	1,208	-	-	2,620,693
<b>14,923,646</b>	<b>12,841,022</b>	<b>434,060</b>	<b>117,664</b>	<b>14,690</b>	<b>57,318</b>	<b>71,786,883</b>
-	-	-	-	-	-	15,100
<b>14,923,646</b>	<b>12,841,022</b>	<b>434,060</b>	<b>117,664</b>	<b>14,690</b>	<b>57,318</b>	<b>71,801,983</b>
-	-	-	-	-	-	29,724,116
(2,409,067)	10,466,887	555,595	508,589	(2,553)	13,191	(12,767,049)
<b>\$ (2,409,067)</b>	<b>\$ 10,466,887</b>	<b>\$ 555,595</b>	<b>\$ 508,589</b>	<b>\$ (2,553)</b>	<b>\$ 13,191</b>	<b>\$ 16,957,067</b>

STATE OF VERMONT  
 COMBINING STATEMENT OF REVENUES,  
 EXPENSES AND CHANGES IN NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund	Financial & HR Information Fund
<b>Operating Revenues:</b>				
Charges for sales and services.....	\$ 10,023,656	\$ 2,503,347	\$ 1,650,918	\$ 3,929,902
Rental income.....	220,530	-	-	-
Other operating revenues.....	13,362	16,956	-	-
<b>Total operating revenues.....</b>	<b>10,257,548</b>	<b>2,520,303</b>	<b>1,650,918</b>	<b>3,929,902</b>
<b>Operating Expenses:</b>				
Cost of sales and services.....	6,284,040	972,511	-	-
Claims expense.....	-	-	-	-
Salaries and benefits.....	615,442	1,157,921	461,282	2,380,226
Supplies and parts.....	-	51,804	-	8,613
Data processing charges.....	-	-	-	203,500
Transportation.....	-	-	-	4,673
Telephone/telegraph.....	-	18,272	-	39,136
Postage.....	-	1,249	-	5,383
Printing and duplicating.....	-	-	-	3,979
Rental of data processing equipment.....	-	-	-	-
Other equipment rentals.....	-	-	-	(34)
Non-capital equipment purchased.....	-	-	-	3,457
Repairs and maintenance.....	902,639	64,967	-	986,517
Administrative expenses.....	-	-	-	-
Operating overhead.....	593,425	-	-	-
Office rent.....	-	16,719	-	116,220
Depreciation.....	3,786,344	54,032	-	-
Contractual services.....	-	-	1,068,757	68,339
Insurance premium expense.....	-	-	-	11,751
Other operating expenses.....	-	182,846	-	13,968
<b>Total operating expenses.....</b>	<b>12,181,890</b>	<b>2,520,321</b>	<b>1,530,039</b>	<b>3,845,728</b>
<b>Operating Income(Loss).....</b>	<b>(1,924,342)</b>	<b>(18)</b>	<b>120,879</b>	<b>84,174</b>
<b>Non-Operating Revenues(Expenses):</b>				
Gain(loss) on disposal of capital assets.....	129,192	-	-	-
Interest income.....	-	-	-	-
<b>Total non-operating revenues(expenses).....</b>	<b>129,192</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Income (Loss) Before Contributions and Transfers.....</b>	<b>(1,795,150)</b>	<b>(18)</b>	<b>120,879</b>	<b>84,174</b>
Capital contributions from (to) other funds.....	-	-	-	-
Transfers in.....	100,000	-	-	-
Transfers out.....	(2,600,000)	-	-	-
<b>Change in net assets.....</b>	<b>(4,295,150)</b>	<b>(18)</b>	<b>120,879</b>	<b>84,174</b>
<b>Total Net Assets - Beginning.....</b>	<b>22,736,683</b>	<b>1,309,177</b>	<b>0</b>	<b>(608,834)</b>
<b>Total Net Assets - Ending.....</b>	<b>\$ 18,441,533</b>	<b>\$ 1,309,159</b>	<b>\$ 120,879</b>	<b>\$ (524,660)</b>

See Independent Auditor's Report.

<b>Communcations &amp; Information Technology</b>	<b>GOVNET Fund</b>	<b>Supply Center Fund</b>	<b>Copy Center Fund</b>	<b>Postage Fund</b>	<b>Facilities Operations Fund</b>	<b>Property Management Fund</b>
\$ 10,317,505	\$ 1,622,917	\$ 2,956,490	\$ 2,317,668	\$ 2,861,055	\$ 18,308,354	\$ -
-	-	-	-	-	-	10,853,866
-	-	-	84,676	-	2,056,284	6,479
<b>10,317,505</b>	<b>1,622,917</b>	<b>2,956,490</b>	<b>2,402,344</b>	<b>2,861,055</b>	<b>20,364,638</b>	<b>10,860,345</b>
5,291,462	1,210,626	2,262,396	952,247	2,240,854	-	6,908,118
-	-	-	-	-	-	-
3,704,337	424,189	211,487	694,934	464,389	10,038,792	1,202,171
29,728	407	271,743	3,975	12,467	1,415,530	78,583
3,595	-	-	-	-	-	-
149	-	2,596	798	253	112,698	5,936
154,005	-	4,774	4,504	5,177	6,820,775	1,084,989
4,579	301	-	-	-	-	-
27,728	-	-	-	-	-	-
232,369	-	-	-	-	-	-
10,037	-	-	-	-	-	-
229,326	208,564	39,376	(54,893)	(48,836)	88,107	(2,032)
542,931	217,527	143,278	450,674	117,494	704,816	83,419
-	60,000	71,339	109,187	81,630	755,562	173,303
-	-	-	-	-	-	-
171,339	19,425	24,433	93,493	60,550	359,993	778,067
308,621	139,795	481,781	777,090	164,445	67,319	3,196
-	-	19,617	13,501	3,830	228,889	103,587
16,119	763	135,928	4,315	3,434	520,523	51,410
82,532	17,239	-	-	-	-	-
<b>10,808,857</b>	<b>2,298,836</b>	<b>3,668,748</b>	<b>3,049,825</b>	<b>3,105,687</b>	<b>21,113,004</b>	<b>10,470,747</b>
<b>(491,352)</b>	<b>(675,919)</b>	<b>(712,258)</b>	<b>(647,481)</b>	<b>(244,632)</b>	<b>(748,366)</b>	<b>389,598</b>
(24,143)	(3,529)	(35,088)	(400,730)	(26,542)	(19,928)	-
-	-	-	-	-	-	-
<b>(24,143)</b>	<b>(3,529)</b>	<b>(35,088)</b>	<b>(400,730)</b>	<b>(26,542)</b>	<b>(19,928)</b>	<b>0</b>
<b>(515,495)</b>	<b>(679,448)</b>	<b>(747,346)</b>	<b>(1,048,211)</b>	<b>(271,174)</b>	<b>(768,294)</b>	<b>389,598</b>
(27,173)	(13,729)	762,463	-	5,505	(55)	55
-	-	-	-	-	845,486	-
-	-	-	-	-	-	(2,388,010)
<b>(542,668)</b>	<b>(693,177)</b>	<b>15,117</b>	<b>(1,048,211)</b>	<b>(265,669)</b>	<b>77,137</b>	<b>(1,998,357)</b>
<b>(597,963)</b>	<b>(321,528)</b>	<b>160,985</b>	<b>(532,478)</b>	<b>(148,652)</b>	<b>(1,017,727)</b>	<b>(6,089,484)</b>
<b>\$ (1,140,631)</b>	<b>\$ (1,014,705)</b>	<b>\$ 176,102</b>	<b>\$ (1,580,689)</b>	<b>\$ (414,321)</b>	<b>\$ (940,590)</b>	<b>\$ (8,087,841)</b>

Continued on next page---->

STATE OF VERMONT  
 COMBINING STATEMENT OF REVENUES,  
 EXPENSES AND CHANGES IN NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Equipment Revolving Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
<b>Operating Revenues:</b>				
Charges for sales and services.....	\$ 310,381	\$ 835,362	\$ 3,142,505	\$ 2,677,545
Rental income.....	-	-	-	-
Other operating revenues.....	-	111,107	-	-
<b>Total operating revenues.....</b>	<b>310,381</b>	<b>946,469</b>	<b>3,142,505</b>	<b>2,677,545</b>
<b>Operating Expenses:</b>				
Cost of sales and services.....	-	804,823	469,300	3,013,295
Claims expense.....	-	-	916,676	-
Salaries and benefits.....	-	55,122	151,828	40,607
Supplies and parts.....	-	322	1,654	438
Data processing charges.....	-	-	-	-
Transportation.....	-	511	143	36
Telephone/telegraph.....	-	11,286	2,924	1,515
Postage.....	-	-	-	-
Printing and duplicating.....	-	-	-	-
Rental of data processing equipment.....	-	-	-	1,645
Other equipment rentals.....	-	-	-	-
Non-capital equipment purchased.....	309,316	272	5,516	1,379
Repairs and maintenance.....	-	599	-	-
Administrative services costs.....	1,065	42,289	20,853	13,115
Operating overhead.....	-	-	-	-
Office rent.....	-	11,260	6,511	-
Depreciation.....	-	1,100	90	23
Contractual fees.....	-	18,920	507,150	53,183
Insurance premium expense.....	-	212	1,140	(11)
Other operating expenses.....	-	-	-	-
<b>Total operating expenses.....</b>	<b>310,381</b>	<b>946,716</b>	<b>2,083,785</b>	<b>3,125,225</b>
<b>Operating Income(Loss).....</b>	<b>0</b>	<b>(247)</b>	<b>1,058,720</b>	<b>(447,680)</b>
<b>Non-Operating Revenues(Expenses):</b>				
Gain(loss) on disposal of capital assets.....	-	-	(1,594)	(398)
Interest income.....	-	-	142,005	-
<b>Total non-operating revenues(expenses).....</b>	<b>0</b>	<b>0</b>	<b>140,411</b>	<b>(398)</b>
<b>Income (Loss) Before Contributions and Transfers.....</b>	<b>0</b>	<b>(247)</b>	<b>1,199,131</b>	<b>(448,078)</b>
Capital contributions from other funds.....	-	-	-	-
Transfers in.....	-	-	-	-
Transfers out.....	-	-	-	-
<b>Change in net assets.....</b>	<b>0</b>	<b>(247)</b>	<b>1,199,131</b>	<b>(448,078)</b>
<b>Total Net Assets - Beginning.....</b>	<b>0</b>	<b>120,161</b>	<b>816,560</b>	<b>(207,338)</b>
<b>Total Net Assets - Ending.....</b>	<b>\$ 0</b>	<b>\$ 119,914</b>	<b>\$ 2,015,691</b>	<b>\$ (655,416)</b>

<b>Workers' Compensation Fund</b>	<b>Medical Insurance Fund</b>	<b>Dental Insurance Fund</b>	<b>Life Insurance Fund</b>	<b>Long-Term Disability Fund</b>	<b>Employees' Assistance Fund</b>	<b>Total Internal Service Funds</b>
\$ 9,564,998	\$ 81,644,468	\$ 5,201,556	\$ 1,697,810	\$ 179,542	\$ 231,202	\$ 161,977,181
-	-	-	-	-	-	11,074,396
-	77,511	550	-	-	-	2,366,925
<b>9,564,998</b>	<b>81,721,979</b>	<b>5,202,106</b>	<b>1,697,810</b>	<b>179,542</b>	<b>231,202</b>	<b>175,418,502</b>
-	-	-	-	-	-	30,409,672
5,725,993	73,415,841	4,912,541	-	-	-	84,971,051
881,473	820,243	66,583	22,204	-	-	23,393,230
7,554	84,341	312	104	-	-	1,967,575
-	14,688	960	313	-	-	223,056
2,592	23,196	42	14	-	-	153,637
10,845	10,401	995	332	-	-	8,169,930
-	20,852	2,799	933	-	-	36,096
-	10,927	772	257	-	-	43,663
-	-	-	-	49	-	234,063
-	135	-	-	-	-	10,138
20,562	424	-	-	-	-	800,538
-	6,315	15	5	-	-	4,221,196
99,433	4,105,222	274,779	-	-	225,451	6,033,228
-	13,738	103	35	913	-	608,214
24,399	25,764	4,831	1,610	-	-	1,714,614
7,787	-	-	-	-	-	5,791,623
329,638	164,506	35,010	-	23,517	-	2,638,444
4,276	3,329,605	-	1,401,529	172,346	-	5,653,340
-	16,835	1,420	447	-	-	315,287
<b>7,114,552</b>	<b>82,063,033</b>	<b>5,301,162</b>	<b>1,427,783</b>	<b>196,825</b>	<b>225,451</b>	<b>177,388,595</b>
<b>2,450,446</b>	<b>(341,054)</b>	<b>(99,056)</b>	<b>270,027</b>	<b>(17,283)</b>	<b>5,751</b>	<b>(1,970,093)</b>
6,496	-	-	-	-	-	(376,264)
150,190	305,712	14,535	6,114	-	-	618,556
<b>156,686</b>	<b>305,712</b>	<b>14,535</b>	<b>6,114</b>	<b>0</b>	<b>0</b>	<b>242,292</b>
<b>2,607,132</b>	<b>(35,342)</b>	<b>(84,521)</b>	<b>276,141</b>	<b>(17,283)</b>	<b>5,751</b>	<b>(1,727,801)</b>
-	-	-	-	-	-	727,066
-	-	-	-	-	-	945,486
-	-	-	-	-	-	(4,988,010)
<b>2,607,132</b>	<b>(35,342)</b>	<b>(84,521)</b>	<b>276,141</b>	<b>(17,283)</b>	<b>5,751</b>	<b>(5,043,259)</b>
<b>(5,016,199)</b>	<b>10,502,229</b>	<b>640,116</b>	<b>232,448</b>	<b>14,730</b>	<b>7,440</b>	<b>22,000,326</b>
<b>\$ (2,409,067)</b>	<b>\$ 10,466,887</b>	<b>\$ 555,595</b>	<b>\$ 508,589</b>	<b>\$ (2,553)</b>	<b>\$ 13,191</b>	<b>\$ 16,957,067</b>

STATE OF VERMONT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund	Financial & HR Information Fund
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers.....	\$ 10,031,285	\$ 2,697,774	\$ 1,655,400	\$ 3,935,292
Cash paid to suppliers for goods and services.....	(5,072,913)	(1,239,145)	(1,167,476)	(1,504,928)
Cash paid to employees for services.....	(3,135,631)	(1,148,699)	(461,282)	(2,431,442)
Cash paid to claimants.....	-	-	-	-
Other operating revenues.....	20,546	16,956	-	-
Other operating expenses.....	-	(182,846)	-	-
<b>Net cash provided(used) by operating activities.....</b>	<b>1,843,287</b>	<b>144,040</b>	<b>26,642</b>	<b>(1,078)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Interfund loans.....	3,810,833	-	-	1,078
Operating transfers.....	(2,500,000)	-	-	-
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>1,310,833</b>	<b>0</b>	<b>0</b>	<b>1,078</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets.....	(3,547,383)	(71,197)	-	-
Proceeds from sale of capital assets.....	393,263	-	-	-
<b>Net cash provided(used) by capital &amp; related financing activities.....</b>	<b>(3,154,120)</b>	<b>(71,197)</b>	<b>0</b>	<b>0</b>
<b>Cash Flows From Investing Activities:</b>				
Interest earned on investments.....	-	-	-	-
<b>Net cash provided by investing activities.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase(decrease) in cash and cash equivalents.....</b>	<b>0</b>	<b>72,843</b>	<b>26,642</b>	<b>0</b>
Cash and cash equivalents at July 1.....	0	43,237	98,995	0
<b>Cash and cash equivalents at June 30.....</b>	<b>\$ 0</b>	<b>\$ 116,080</b>	<b>\$ 125,637</b>	<b>\$ 0</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss).....	\$ (1,924,342)	\$ (18)	\$ 120,879	\$ 84,174
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation.....	3,786,344	54,032	-	-
(Increase)decrease in accounts receivable.....	(239,003)	186,214	4,482	5,390
(Increase)decrease in due from other funds.....	(1,975)	-	-	-
(Increase)decrease in inventory.....	(127,371)	54,641	-	-
(Increase)decrease in prepaid expenses.....	2,931	-	-	-
Increase(decrease) in accounts payable.....	358,389	(168,264)	(98,719)	(14,488)
Increase(decrease) in accrued salaries and benefits.....	(11,686)	9,222	-	25,216
Increase(decrease) in claims payable.....	-	-	-	-
Increase(decrease) in due to other funds.....	-	-	-	(101,370)
Increase(decrease) in deferred revenue.....	-	8,213	-	-
<b>Total adjustments.....</b>	<b>3,767,629</b>	<b>144,058</b>	<b>(94,237)</b>	<b>(85,252)</b>
<b>Net cash provided(used) by operating activities.....</b>	<b>\$ 1,843,287</b>	<b>\$ 144,040</b>	<b>\$ 26,642</b>	<b>\$ (1,078)</b>

See Independent Auditor's Report.

<b>Communcations &amp; Information Technology</b>	<b>GOVNET Fund</b>	<b>Supply Center Fund</b>	<b>Copy Center Fund</b>	<b>Postage Fund</b>	<b>Facilities Operations Fund</b>	<b>Property Management Fund</b>
\$ 10,334,599	\$ 1,516,733	\$ 2,652,608	\$ 2,477,132	\$ 2,948,464	\$ 20,194,740	\$ 10,895,955
(6,035,415)	(1,477,595)	(2,670,529)	(1,283,327)	(2,293,022)	(11,992,260)	(9,348,105)
(3,670,267)	(421,151)	(201,818)	(692,349)	(459,215)	(9,600,870)	(1,155,849)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(82,532)	(17,239)	-	-	-	-	(179,293)
<b>546,385</b>	<b>(399,252)</b>	<b>(219,739)</b>	<b>501,456</b>	<b>196,227</b>	<b>(1,398,390)</b>	<b>212,708</b>
(240,870)	690,710	3,261,359	642,334	(146,227)	30,908	2,172,911
-	-	-	-	-	845,486	(2,388,010)
<b>(240,870)</b>	<b>690,710</b>	<b>3,261,359</b>	<b>642,334</b>	<b>(146,227)</b>	<b>876,394</b>	<b>(215,099)</b>
(330,364)	(291,458)	(3,044,950)	(1,143,790)	(50,000)	(130,967)	(5,751)
24,849	-	3,330	-	-	249,752	8,142
<b>(305,515)</b>	<b>(291,458)</b>	<b>(3,041,620)</b>	<b>(1,143,790)</b>	<b>(50,000)</b>	<b>118,785</b>	<b>2,391</b>
-	-	-	-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(403,211)</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>403,211</b>	<b>0</b>
<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
\$ (491,352)	\$ (675,919)	\$ (712,258)	\$ (647,481)	\$ (244,632)	\$ (748,366)	\$ 389,598
308,621	139,795	481,781	777,090	164,445	67,319	3,196
191,925	(106,184)	(303,883)	159,464	87,409	(169,898)	(143,667)
-	-	-	-	-	41,000	9,000
(27,806)	-	-	82,930	217,689	-	-
(39,064)	-	-	(14,928)	(12,959)	(8,550)	(80,581)
744,822	240,018	311,543	141,796	(20,899)	(643,792)	19,826
34,070	3,038	3,078	2,585	5,174	63,897	15,336
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(174,831)	-	-	-	-	-	-
<b>1,037,737</b>	<b>276,667</b>	<b>492,519</b>	<b>1,148,937</b>	<b>440,859</b>	<b>(650,024)</b>	<b>(176,890)</b>
<b>\$ 546,385</b>	<b>\$ (399,252)</b>	<b>\$ (219,739)</b>	<b>\$ 501,456</b>	<b>\$ 196,227</b>	<b>\$ (1,398,390)</b>	<b>\$ 212,708</b>

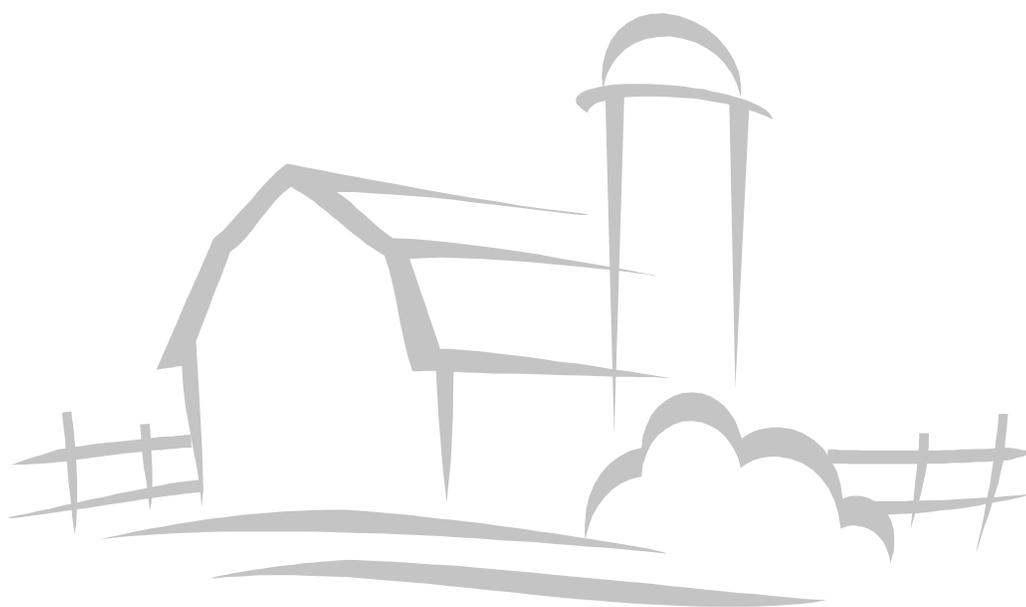
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STATE OF VERMONT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

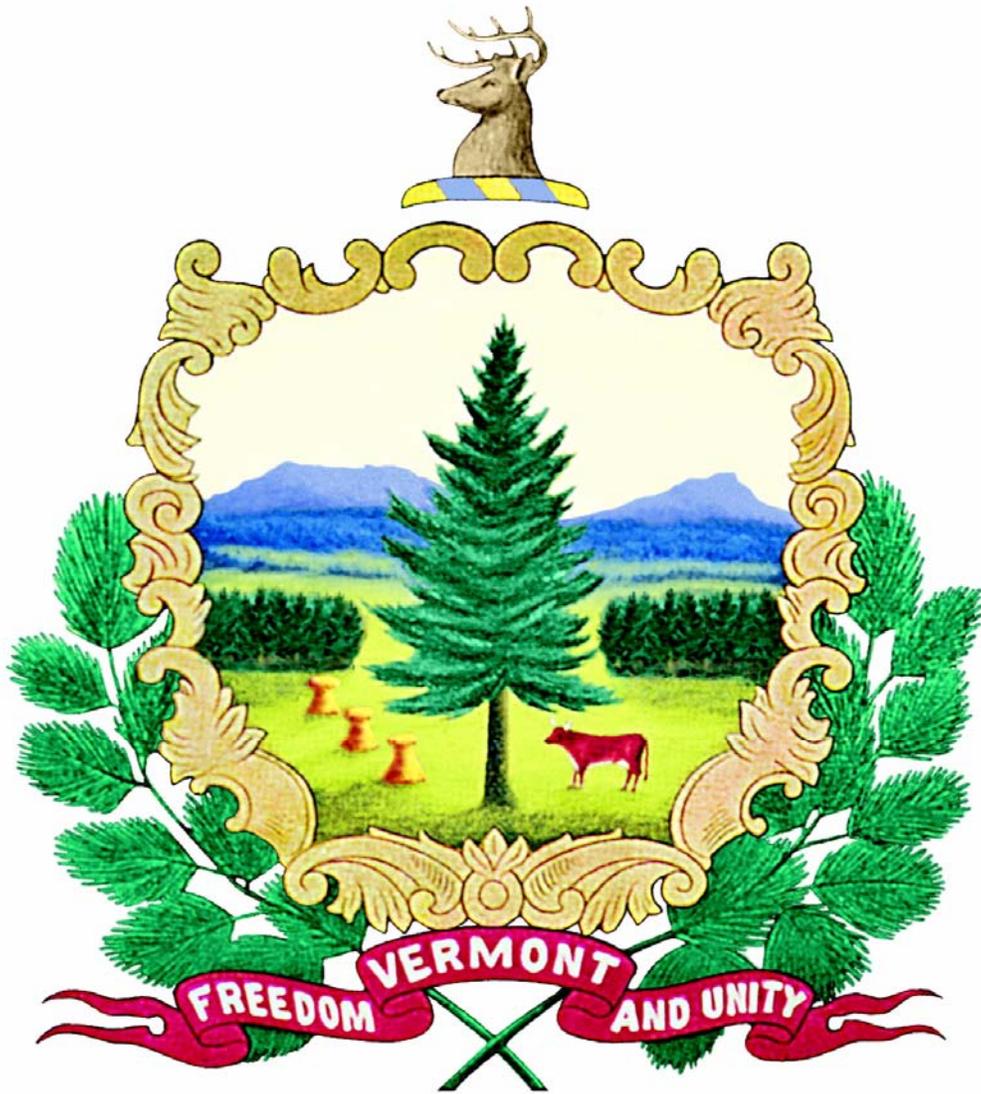
	Equipment Revolving Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers.....	\$ 425,652	\$ 817,277	\$ 3,145,372	\$ 2,993,932
Cash paid to suppliers for goods and services.....	(357,323)	(410,311)	(1,488,973)	(3,109,642)
Cash paid to employees for services.....	-	(52,989)	(144,119)	(38,437)
Cash paid to claimants.....	-	-	(1,677,010)	-
Other operating revenues.....	-	75	-	-
Other operating expenses.....	-	-	-	-
<b>Net cash provided(used) by operating activities.....</b>	<b>68,329</b>	<b>354,052</b>	<b>(164,730)</b>	<b>(154,147)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Interfund loans.....	(68,329)	-	-	153,509
Operating transfers.....	-	-	-	-
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>(68,329)</b>	<b>0</b>	<b>0</b>	<b>153,509</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets.....	-	-	-	-
Proceeds from sale of capital assets.....	-	-	2,554	638
<b>Net cash provided(used) by capital &amp; related financing activities.....</b>	<b>0</b>	<b>0</b>	<b>2,554</b>	<b>638</b>
<b>Cash Flows From Investing Activities:</b>				
Interest earned on investments.....	-	-	142,005	-
<b>Net cash provided by investing activities.....</b>	<b>0</b>	<b>0</b>	<b>142,005</b>	<b>0</b>
<b>Net increase(decrease) in cash and cash equivalents.....</b>	<b>0</b>	<b>354,052</b>	<b>(20,171)</b>	<b>0</b>
Cash and cash equivalents at July 1.....	0	110,415	9,028,826	0
<b>Cash and cash equivalents at June 30.....</b>	<b>\$ 0</b>	<b>\$ 464,467</b>	<b>\$ 9,008,655</b>	<b>\$ 0</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss).....	\$ 0	\$ (247)	\$ 1,058,720	\$ (447,680)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation.....	-	1,100	90	23
(Increase)decrease in accounts receivable.....	114,894	6,207	2,918	316,698
(Increase)decrease in due from other funds.....	-	-	-	-
(Increase)decrease in inventory.....	-	4,882	-	-
(Increase)decrease in prepaid expenses.....	-	-	-	-
Increase(decrease) in accounts payable.....	(45,598)	346,178	(2,998)	(24,149)
Increase(decrease) in accrued salaries and benefits.....	-	814	-	-
Increase(decrease) in claims payable.....	-	-	(760,334)	-
Increase(decrease) in due to other funds.....	(967)	-	(463,126)	961
Increase(decrease) in deferred revenue.....	-	(4,882)	-	-
<b>Total adjustments.....</b>	<b>68,329</b>	<b>354,299</b>	<b>(1,223,450)</b>	<b>293,533</b>
<b>Net cash provided(used) by operating activities.....</b>	<b>\$ 68,329</b>	<b>\$ 354,052</b>	<b>\$ (164,730)</b>	<b>\$ (154,147)</b>

Workers Compensation Fund	Medical Insurance Fund	Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
\$ 9,561,554	\$ 81,685,891	\$ 5,203,318	\$ 1,689,453	\$ 178,901	\$ 231,191	\$ 175,272,523
(21,574)	(7,702,669)	(318,699)	(1,654,657)	(195,929)	(217,384)	(59,561,876)
(860,651)	(809,841)	(66,385)	(22,138)	-	-	(25,373,133)
(5,482,971)	(72,614,267)	(4,895,269)	-	-	-	(84,669,517)
-	77,511	550	-	-	-	115,638
-	(16,835)	(1,420)	(447)	-	-	(480,612)
<b>3,196,358</b>	<b>619,790</b>	<b>(77,905)</b>	<b>12,211</b>	<b>(17,028)</b>	<b>13,807</b>	<b>5,303,023</b>
-	-	-	-	-	-	10,308,216
-	-	18,142	-	-	-	(4,024,382)
<b>0</b>	<b>0</b>	<b>18,142</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,283,834</b>
-	-	-	-	-	-	(8,615,860)
14,600	-	-	-	-	-	697,128
<b>14,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,918,732)</b>
150,190	305,712	14,535	6,114	-	-	618,556
<b>150,190</b>	<b>305,712</b>	<b>14,535</b>	<b>6,114</b>	<b>0</b>	<b>0</b>	<b>618,556</b>
<b>3,361,148</b>	<b>925,502</b>	<b>(45,228)</b>	<b>18,325</b>	<b>(17,028)</b>	<b>13,807</b>	<b>4,286,681</b>
9,108,909	19,534,261	819,044	540,329	22,050	47,823	39,757,100
<b>\$ 12,470,057</b>	<b>\$ 20,459,763</b>	<b>\$ 773,816</b>	<b>\$ 558,654</b>	<b>\$ 5,022</b>	<b>\$ 61,630</b>	<b>\$ 44,043,781</b>
\$ 2,450,446	\$ (341,054)	\$ (99,056)	\$ 270,027	\$ (17,283)	\$ 5,751	\$ (1,970,093)
7,787	-	-	-	-	-	5,791,623
(3,444)	(129,685)	1,762	(8,357)	(641)	(11)	(27,410)
462,165	-	-	-	-	-	510,190
-	-	-	-	-	-	204,965
1,651	-	-	-	-	-	(151,500)
(36,705)	107,445	1,919	(249,526)	896	8,067	975,761
6,068	10,402	198	67	-	-	167,479
308,390	801,574	17,272	-	-	-	366,902
-	-	-	-	-	-	(564,502)
-	171,108	-	-	-	-	(392)
<b>745,912</b>	<b>960,844</b>	<b>21,151</b>	<b>(257,816)</b>	<b>255</b>	<b>8,056</b>	<b>7,273,116</b>
<b>\$ 3,196,358</b>	<b>\$ 619,790</b>	<b>\$ (77,905)</b>	<b>\$ 12,211</b>	<b>\$ (17,028)</b>	<b>\$ 13,807</b>	<b>\$ 5,303,023</b>

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***PENSION TRUST FUNDS***

**STATE OF VERMONT  
PENSION TRUST FUNDS  
COMBINING STATEMENTS OF PLAN NET ASSETS  
June 30, 2005**

<b>Assets:</b>	<b>Vermont State Retirement System</b>	<b>Vermont State Defined Contribution Plan</b>	<b>State Teachers' Retirement Fund</b>
Cash and short term investments.....	\$ 59,398,297	\$ 230,664	\$ 30,610,333
Receivables:			
Contributions.....	3,249,630	112,706	1,972,563
Investment.....	5,572,742	-	5,779,291
Investments sold.....	98,346,810	-	21,385,072
Due from other funds.....	30,644	-	4,000,000
Other.....	7,446	-	-
<b>Total receivables.....</b>	<b>107,207,272</b>	<b>112,706</b>	<b>33,136,926</b>
Investments at Fair value:			
Fixed income.....	382,246,751	-	388,763,569
Common and preferred stock.....	622,778,271	-	798,163,313
Real estate and venture capital.....	73,235,424	-	124,543,920
Mutual funds.....	-	32,630,082	-
<b>Total investments.....</b>	<b>1,078,260,446</b>	<b>32,630,082</b>	<b>1,311,470,802</b>
Prepaid expenses.....	1,088,898	18,769	906,114
<b>Total assets.....</b>	<b>1,245,954,913</b>	<b>32,992,221</b>	<b>1,376,124,175</b>
<b>Liabilities:</b>			
Payable for investments purchased.....	124,814,748	-	41,419,123
Accounts payable.....	872,898	2,857	1,104,524
Accrued liabilities.....	20,118	-	68,110
Due to other funds.....	-	30,644	-
<b>Total liabilities.....</b>	<b>125,707,764</b>	<b>33,501</b>	<b>42,591,757</b>
<b>Net assets held in trust for employees' pension benefits.....</b>	<b>\$ 1,120,247,149</b>	<b>\$ 32,958,720</b>	<b>\$ 1,333,532,418</b>

See Independent Auditor's Report.

<u>Single Deposit Investment Account</u>	<u>Vermont Municipal Employees' Retirement Fund</u>	<u>Vermont Municipal Employees' Defined Contribution Fund</u>	<u>Total Pension Trust Funds</u>
\$ 13,148,029	\$ 1,947,598	\$ 81,541	\$ 105,416,462
-	1,583,884	7,671	6,926,454
2,790,288	1,282,008	-	15,424,329
-	716,556	-	120,448,438
-	158,809	-	4,189,453
-	10,198,775	-	10,206,221
<b>2,790,288</b>	<b>13,940,032</b>	<b>7,671</b>	<b>157,194,895</b>
99,705,346	70,913,956	-	941,629,622
-	120,169,796	-	1,541,111,380
-	18,299,561	-	216,078,905
-	38,695,998	9,009,360	80,335,440
<b>99,705,346</b>	<b>248,079,311</b>	<b>9,009,360</b>	<b>2,779,155,347</b>
-	-	-	2,013,781
<b>115,643,663</b>	<b>263,966,941</b>	<b>9,098,572</b>	<b>3,043,780,485</b>
14,726,541	5,270,224	-	186,230,636
-	218,335	42,324	2,240,938
-	11,647	-	99,875
-	-	158,809	189,453
<b>14,726,541</b>	<b>5,500,206</b>	<b>201,133</b>	<b>188,760,902</b>
<b>\$ 100,917,122</b>	<b>\$ 258,466,735</b>	<b>\$ 8,897,439</b>	<b>\$ 2,855,019,583</b>

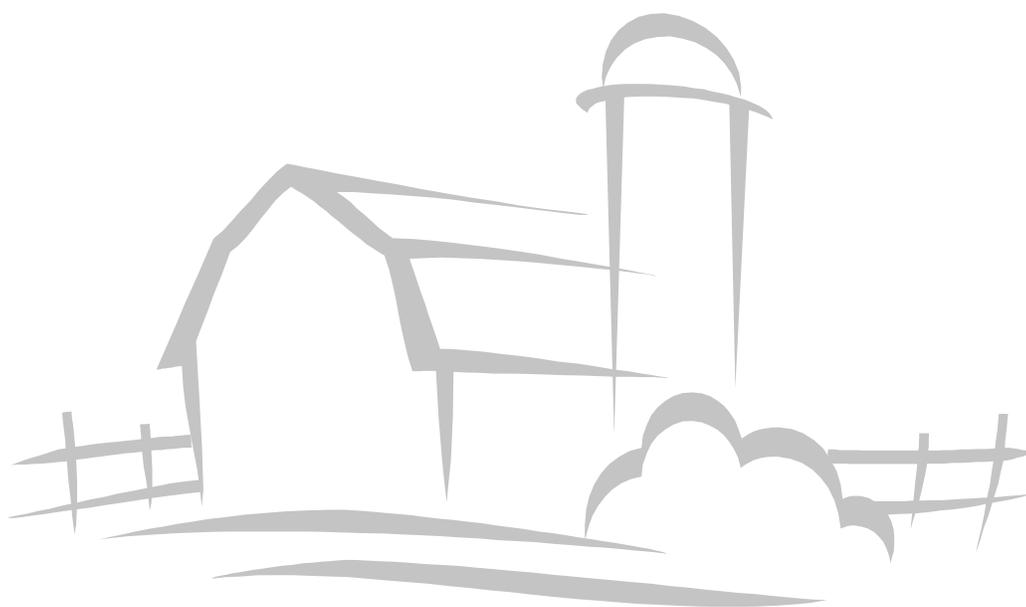
**STATE OF VERMONT  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the Fiscal Year Ended June 30, 2005**

	<b>Vermont State Retirement System</b>	<b>Vermont State Defined Contribution Plan</b>	<b>State Teachers' Retirement System</b>
<b>Additions :</b>			
<u>Contributions</u>			
Employer.....	\$ 36,493,435	\$ 1,501,312	\$ 24,446,282
Plan member.....	15,112,105	611,344	21,158,452
Transfers from other pension trust funds...	777,792	292,021	373,705
Transfers from non-state systems.....	-	252,627	-
<b>Total contributions.....</b>	<b>52,383,332</b>	<b>2,657,304</b>	<b>45,978,439</b>
<u>Investment Income:</u>			
Net appreciation (depreciation) in fair value of investments.....	49,632,662	1,126,085	72,149,561
Dividends.....	12,553,872	928,507	15,302,583
Interest income.....	19,157,559	4,698	17,290,972
Securities lending income.....	1,897,192	-	1,660,963
Other income.....	12,604,314	-	14,435,740
<b>Total investment income.....</b>	<b>95,845,599</b>	<b>2,059,290</b>	<b>120,839,819</b>
<b>Less Investment Expenses</b>			
Investment managers and consultants....	3,671,522	7,695	4,254,303
Securities lending expenses.....	1,721,354	-	1,526,822
<b>Total investment expenses.....</b>	<b>5,392,876</b>	<b>7,695</b>	<b>5,781,125</b>
<b>Net investment income.....</b>	<b>90,452,723</b>	<b>2,051,595</b>	<b>115,058,694</b>
<b>Total additions.....</b>	<b>142,836,055</b>	<b>4,708,899</b>	<b>161,037,133</b>
<b>Deductions:</b>			
Retirement benefits.....	48,893,673	2,837,490	60,147,731
Refunds of contributions.....	1,201,475	-	840,919
Death claims.....	201,006	-	263,359
Transfers to other pension trust funds.....	635,618	-	682,438
Operating expenses.....	12,585,121	213,210	11,220,373
<b>Total deductions.....</b>	<b>63,516,893</b>	<b>3,050,700</b>	<b>73,154,820</b>
<b>Change in net assets.....</b>	<b>79,319,162</b>	<b>1,658,199</b>	<b>87,882,313</b>
<b>Net assets held in trust for employees' pension benefits:</b>			
<b>July 1 .....</b>	<b>1,040,927,987</b>	<b>31,300,521</b>	<b>1,245,650,105</b>
<b>June 30.....</b>	<b>\$ 1,120,247,149</b>	<b>\$ 32,958,720</b>	<b>\$ 1,333,532,418</b>

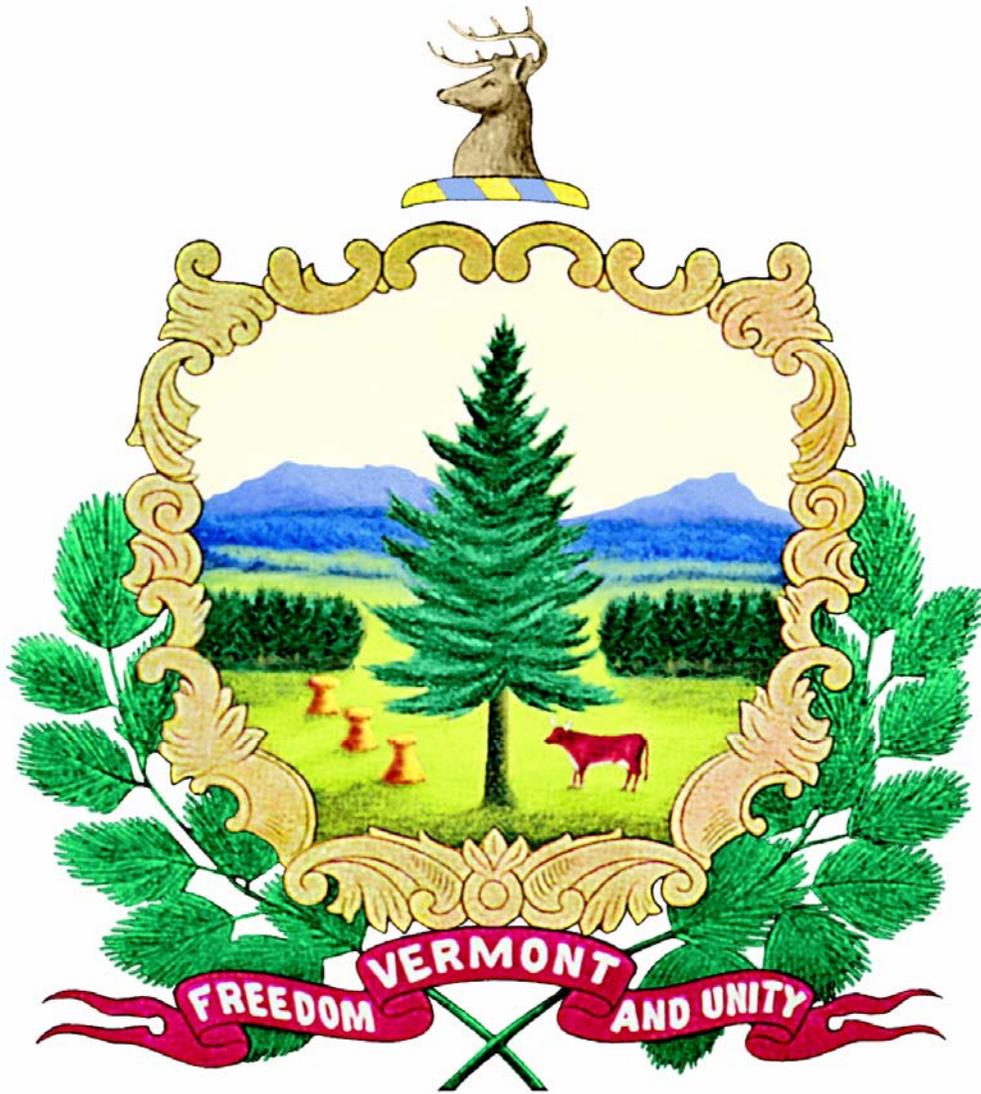
See Independent Auditor's Report.

Single Deposit Investment Account	Vermont Municipal Employees' Retirement System	Vermont Municipal Employees' Defined Contribution Fund	Total Pension Funds
\$ -	\$ 8,058,810	\$ 523,133	\$ 71,022,972
-	7,404,120	524,718	44,810,739
-	298,475	-	1,741,993
-	-	853	253,480
<b>0</b>	<b>15,761,405</b>	<b>1,048,704</b>	<b>117,829,184</b>
(78,969)	7,207,480	300,759	130,337,578
-	5,808,957	218,000	34,811,919
5,068,760	3,662,048	1,100	45,185,137
-	556,146	-	4,114,301
469,063	2,161,094	-	29,670,211
<b>5,458,854</b>	<b>19,395,725</b>	<b>519,859</b>	<b>244,119,146</b>
298,832	715,091	-	8,947,443
-	514,774	-	3,762,950
<b>298,832</b>	<b>1,229,865</b>	<b>0</b>	<b>12,710,393</b>
<b>5,160,022</b>	<b>18,165,860</b>	<b>519,859</b>	<b>231,408,753</b>
<b>5,160,022</b>	<b>33,927,265</b>	<b>1,568,563</b>	<b>349,237,937</b>
5,845,481	6,418,097	279,854	124,422,326
-	963,800	-	3,006,194
-	176,445	-	640,810
-	423,937	-	1,741,993
-	367,810	41,005	24,427,519
<b>5,845,481</b>	<b>8,350,089</b>	<b>320,859</b>	<b>154,238,842</b>
<b>(685,459)</b>	<b>25,577,176</b>	<b>1,247,704</b>	<b>194,999,095</b>
<b>101,602,581</b>	<b>232,889,559</b>	<b>7,649,735</b>	<b>2,660,020,488</b>
<b>\$ 100,917,122</b>	<b>\$ 258,466,735</b>	<b>\$ 8,897,439</b>	<b>\$ 2,855,019,583</b>

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**AGENCY FUNDS**

**STATE OF VERMONT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 27,132	\$ 50,767,022	\$ 50,790,807	\$ 3,347
Accounts receivable.....	19,370	31	19,370	31
Total assets.....	<u>\$ 46,502</u>	<u>\$ 50,767,053</u>	<u>\$ 50,810,177</u>	<u>\$ 3,378</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 27,132	\$ 50,767,053	\$ 50,790,807	\$ 3,378
Interfund payable.....	19,370	-	19,370	-
Total liabilities.....	<u>\$ 46,502</u>	<u>\$ 50,767,053</u>	<u>\$ 50,810,177</u>	<u>\$ 3,378</u>
<b>FEDERAL INCOME TAX WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 45,610,085	\$ 45,596,445	\$ 13,640
Accounts receivable.....	49,884	-	49,884	-
Total assets.....	<u>\$ 49,884</u>	<u>\$ 45,610,085</u>	<u>\$ 45,646,329</u>	<u>\$ 13,640</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 45,608,642	\$ 45,596,445	\$ 12,197
Due to other funds.....	14,185	1,443	14,185	1,443
Interfund payable.....	35,699	-	35,699	-
Total liabilities.....	<u>\$ 49,884</u>	<u>\$ 45,610,085</u>	<u>\$ 45,646,329</u>	<u>\$ 13,640</u>
<b>STATE INCOME TAX WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 10,592	\$ 12,871,171	\$ 12,881,763	\$ -
Due from other funds.....	1,851	67	1,851	67
Total assets.....	<u>12,443</u>	<u>12,871,238</u>	<u>12,883,614</u>	<u>67</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 12,443	\$ 12,871,171	\$ 12,883,614	\$ -
Due to other funds.....	-	7	-	7
Interfund payable.....	-	60	-	60
Total liabilities.....	<u>\$ 12,443</u>	<u>\$ 12,871,238</u>	<u>\$ 12,883,614</u>	<u>\$ 67</u>
<b>SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 60,530,547	\$ 60,530,547	\$ -
Accounts receivable.....	87,524	12,725	87,524	12,725
Due from other funds.....	12,689	-	12,689	-
Total assets.....	<u>\$ 100,213</u>	<u>\$ 60,543,272</u>	<u>\$ 60,630,760</u>	<u>\$ 12,725</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 7,308	\$ 60,530,547	\$ 60,537,855	\$ -
Interfund payable.....	92,905	12,725	92,905	12,725
Total liabilities.....	<u>\$ 100,213</u>	<u>\$ 60,543,272</u>	<u>\$ 60,630,760</u>	<u>\$ 12,725</u>
<b>EMPLOYEES CREDIT UNION WITHHOLDING FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 554	\$ 43,118,270	\$ 43,118,824	\$ -
<b>LIABILITIES</b>				
Due to depositories.....	\$ 554	\$ 43,118,270	\$ 43,118,824	\$ -

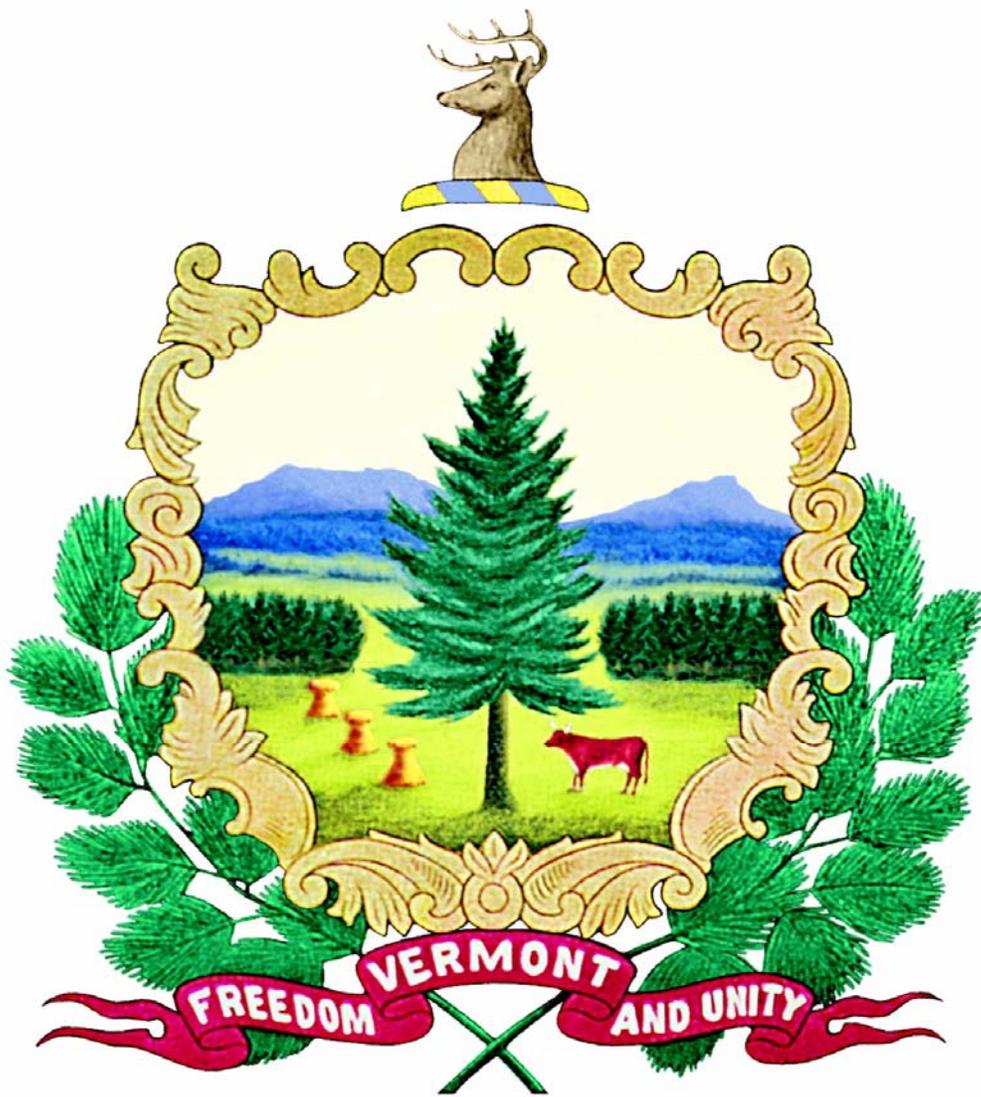
See Independent Auditor's Report.

**STATE OF VERMONT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
<b>EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 14,687	\$ 73,294,857	\$ 73,309,544	\$ -
Accounts receivable.....	23,271	-	23,271	-
Due from other funds.....	53	-	53	-
Total assets.....	<u>\$ 38,011</u>	<u>\$ 73,294,857</u>	<u>\$ 73,332,868</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 14,655	\$ 73,294,857	\$ 73,309,512	\$ -
Due to other funds.....	85	-	85	-
Interfund payable.....	23,271	-	23,271	-
Total liabilities.....	<u>\$ 38,011</u>	<u>\$ 73,294,857</u>	<u>\$ 73,332,868</u>	<u>\$ -</u>
<b>EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 14,412,403	\$ 14,412,403	\$ -
Accounts receivable.....	1,614	-	1,614	-
Total assets.....	<u>\$ 1,614</u>	<u>\$ 14,412,403</u>	<u>\$ 14,414,017</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 14,412,403	\$ 14,412,403	\$ -
Interfund payable.....	1,614	-	1,614	-
Total liabilities.....	<u>\$ 1,614</u>	<u>\$ 14,412,403</u>	<u>\$ 14,414,017</u>	<u>\$ -</u>
<b>OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 21,050	\$ 5,801,046	\$ 5,817,648	\$ 4,448
Accounts receivable.....	31,555	3	31,555	3
Due from other funds.....	4,563	22,386	4,563	22,386
Total assets.....	<u>\$ 57,168</u>	<u>\$ 5,823,435</u>	<u>\$ 5,853,766</u>	<u>\$ 26,837</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 21,050	\$ 5,801,046	\$ 5,817,648	\$ 4,448
Interfund payable.....	36,118	22,389	36,118	22,389
Total liabilities.....	<u>\$ 57,168</u>	<u>\$ 5,823,435</u>	<u>\$ 5,853,766</u>	<u>\$ 26,837</u>
<b>UNIDENTIFIED RECEIPTS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 98,243	\$ 175,722,203	\$ 175,809,284	\$ 11,162
Accounts receivable.....	1,000	-	-	1,000
Due from other funds.....	292,969	140,256	118,175	315,050
Total assets.....	<u>\$ 392,212</u>	<u>\$ 175,862,459</u>	<u>\$ 175,927,459</u>	<u>\$ 327,212</u>
<b>LIABILITIES</b>				
Due to other funds.....	\$ 100,298	\$ 175,550,203	\$ 175,635,545	\$ 14,956
Interfund payable.....	291,914	312,256	291,914	312,256
Total liabilities.....	<u>\$ 392,212</u>	<u>\$ 175,862,459</u>	<u>\$ 175,927,459</u>	<u>\$ 327,212</u>

**STATE OF VERMONT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
<b>VENDOR AND OTHER DEPOSITS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 4,305,376	\$ 27,409,671	\$ 27,349,782	\$ 4,365,265
Taxes receivable.....	1,561,093	244,844	-	1,805,937
Accounts receivable.....	182,090	698,768	771,646	109,212
Due from other funds.....	250,847	92	250,847	92
<b>Total assets.....</b>	<b><u>\$ 6,299,406</u></b>	<b><u>\$ 28,353,375</u></b>	<b><u>\$ 28,372,275</u></b>	<b><u>\$ 6,280,506</u></b>
<b>LIABILITIES</b>				
Amounts held in custody for others.....	\$ 2,445,285	\$ 10,383,880	\$ 10,368,439	\$ 2,460,726
Due to other funds.....	410,022	630,030	462,980	577,072
Intergovernmental payable other governments.....	2,423,076	12,413,814	12,385,546	2,451,344
Other liabilities.....	725,836	3,550,577	3,594,323	682,090
Interfund payable.....	295,187	109,274	295,187	109,274
<b>Total liabilities.....</b>	<b><u>\$ 6,299,406</u></b>	<b><u>\$ 27,087,575</u></b>	<b><u>\$ 27,106,475</u></b>	<b><u>\$ 6,280,506</u></b>
<b>CHILD SUPPORT COLLECTIONS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 820,775	\$ 56,058,858	\$ 56,163,088	\$ 716,545
<b>Total assets.....</b>	<b><u>\$ 820,775</u></b>	<b><u>\$ 56,058,858</u></b>	<b><u>\$ 56,163,088</u></b>	<b><u>\$ 716,545</u></b>
<b>LIABILITIES</b>				
Due to other funds.....	\$ 5,022	\$ 40,380	\$ 5,022	\$ 40,380
Intergovernmental payable - other governments.....	-	\$ 213,712	\$ -	\$ 213,712
Amount held in custody for others.....	815,753	55,804,766	56,158,066	462,453
<b>Total liabilities.....</b>	<b><u>\$ 820,775</u></b>	<b><u>\$ 56,058,858</u></b>	<b><u>\$ 56,163,088</u></b>	<b><u>\$ 716,545</u></b>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash.....	\$ 5,298,409	\$ 565,596,133	\$ 565,780,135	\$ 5,114,407
Accounts receivable.....	396,308	711,527	984,864	122,971
Taxes receivable.....	1,561,093	244,844	-	1,805,937
Due from other funds.....	562,972	162,801	388,178	337,595
<b>Total assets.....</b>	<b><u>\$ 7,818,782</u></b>	<b><u>\$ 566,715,305</u></b>	<b><u>\$ 567,153,177</u></b>	<b><u>\$ 7,380,910</u></b>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 83,142	\$ 306,403,989	\$ 306,467,108	\$ 20,023
Due to other funds.....	\$ 529,612	\$ 176,222,063	\$ 176,117,817	\$ 633,858
Amounts held in custody for others.....	\$ 3,261,038	\$ 66,188,646	\$ 66,526,505	\$ 2,923,179
Intergovernmental payable other governments.....	\$ 2,423,076	\$ 12,627,526	\$ 12,385,546	\$ 2,665,056
Other liabilities.....	\$ 725,836	\$ 3,550,577	\$ 3,594,323	\$ 682,090
Interfund payable.....	\$ 796,078	\$ 456,704	\$ 796,078	\$ 456,704
<b>Total liabilities.....</b>	<b><u>7,818,782</u></b>	<b><u>565,449,505</u></b>	<b><u>565,887,377</u></b>	<b><u>7,380,910</u></b>



**NON-MAJOR  
COMPONENT UNITS**

STATE OF VERMONT  
STATEMENT OF NET ASSETS  
NON-MAJOR COMPONENT UNITS  
June 30, 2005

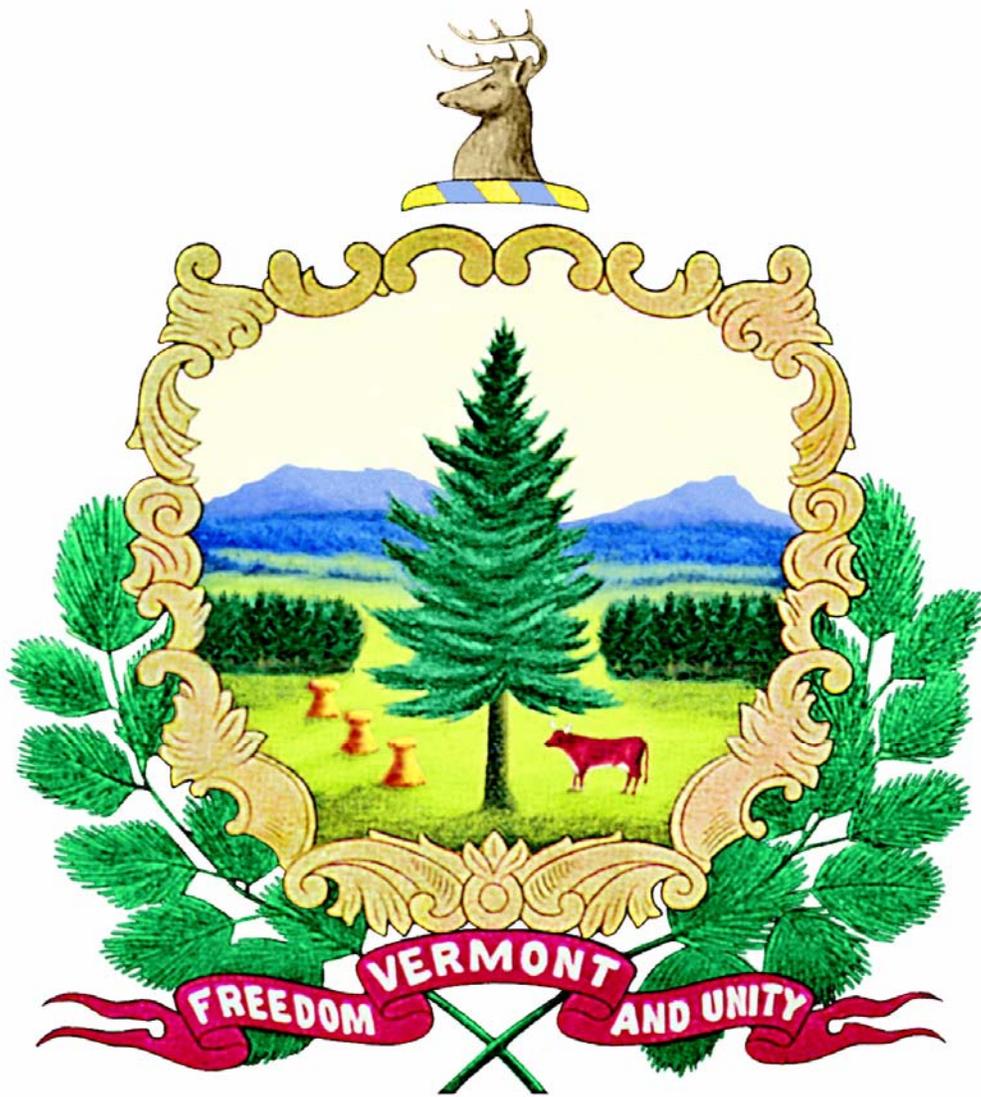
ASSETS	Vermont Economic Development Authority 06/30/2005	Vermont Housing & Conservation Board 06/30/2005	Vermont Sustainable Jobs Fund 06/30/2005	Vermont Municipal Bond Bank 12/31/2004
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents.....	\$ 5,227,887	\$ 11,638,431	\$ 114,356	\$ 4,466,448
Investments.....	-	-	-	5,125,324
Accounts receivable (net).....	-	-	-	21,913
Accrued interest receivable - loans.....	366,465	9,668,271	-	2,304,667
Loans and notes receivable - current portion.....	9,675,677	30,087	-	35,727,655
Other receivables.....	-	24,503	54,722	-
Due from federal government.....	-	12,613,050	-	-
Inventories (at cost).....	-	-	-	-
Prepaid expenses.....	-	-	3,447	-
Other current assets.....	398,991	-	680	-
<b>Total current assets.....</b>	<b>15,669,020</b>	<b>33,974,342</b>	<b>173,205</b>	<b>47,646,007</b>
Restricted and Non-Current Assets:				
Cash.....	-	-	-	3,368,492
Investments.....	22,651,601	-	-	42,793,201
Deferred bond issue costs.....	-	-	-	5,515,158
Loans and notes receivable (net).....	71,799,144	77,505,663	-	391,015,087
Other assets.....	-	-	-	-
<b>Total restricted &amp; noncurrent assets.....</b>	<b>94,450,745</b>	<b>77,505,663</b>	<b>0</b>	<b>442,691,938</b>
Capital Assets:				
Land.....	-	-	-	-
Construction in process.....	-	-	-	-
Building and leasehold improvements.....	-	-	-	-
Equipment, furniture and fixtures.....	637,439	88,494	6,720	-
Accumulated depreciation.....	(357,306)	(86,205)	(6,167)	-
<b>Total capital assets, net of depreciation.....</b>	<b>280,133</b>	<b>2,289</b>	<b>553</b>	<b>0</b>
<b>Total assets.....</b>	<b>110,399,898</b>	<b>111,482,294</b>	<b>173,758</b>	<b>490,337,945</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable.....	503,361	67,020	8,900	15,296
Accrued salaries and benefits.....	-	129,771	-	-
Accrued interest payable.....	443,153	-	-	-
Bond interest payable.....	-	-	-	1,775,332
Deferred revenue.....	-	-	97,085	-
Accrued arbitrage rebate.....	-	-	-	582,955
Current portion - bonds and notes payable.....	63,838,086	-	-	38,510,000
Due to primary government.....	89,492	1,050,247	-	-
Escrowed cash deposits.....	141,817	-	-	-
Other current liabilities.....	1,165,027	11,192,253	-	-
<b>Total current liabilities.....</b>	<b>66,180,936</b>	<b>12,439,291</b>	<b>105,985</b>	<b>40,883,583</b>
Restricted and Non-Current Liabilities:				
Bonds and notes payable.....	6,623,685	418,413	-	431,806,581
Accrued arbitrage rebate.....	-	-	-	485,613
Other liabilities.....	-	-	-	26,100
<b>Total liabilities payable from restricted assets.....</b>	<b>6,623,685</b>	<b>418,413</b>	<b>0</b>	<b>432,318,294</b>
<b>Total liabilities.....</b>	<b>72,804,621</b>	<b>12,857,704</b>	<b>105,985</b>	<b>473,201,877</b>
<b>NET ASSETS</b>				
Invested in capital assets, (net of related debt).....	-	2,289	553	-
Restricted.....	6,145,248	98,320,459	-	9,165,303
Unrestricted - designated.....	-	-	-	-
Unrestricted.....	31,450,029	301,842	67,220	7,970,765
<b>Total net assets.....</b>	<b>\$ 37,595,277</b>	<b>\$ 98,624,590</b>	<b>\$ 67,773</b>	<b>\$ 17,136,068</b>

Vermont Educational and Health Buildings Financing Agency 12/31/2004	Vermont Center For Geographic Information, Inc. 06/30/2005	Vermont Transportation Authority 06/30/2005	Vermont Veterans' Home 06/30/2005	Vermont Rehabilitation Corporation 06/30/2005	Total Non-major Component Units
\$ 229,989	\$ 95,376	\$ -	\$ 1,997,675	\$ 59,809	\$ 23,829,971
989,670	-	-	-	-	6,114,994
-	11,520	-	177,277	-	210,710
-	-	-	-	400	12,339,803
-	-	-	-	9,040	45,442,459
-	-	-	-	-	79,225
-	-	-	1,565,815	-	14,178,865
-	-	-	97,340	-	97,340
-	8,050	-	-	-	11,497
-	-	-	-	-	399,671
<b>1,219,659</b>	<b>114,946</b>	<b>0</b>	<b>3,838,107</b>	<b>69,249</b>	<b>102,704,535</b>
-	-	-	-	-	3,368,492
-	-	-	-	-	65,444,802
-	-	-	-	-	5,515,158
-	-	-	-	145,960	540,465,854
-	-	-	5,178	-	5,178
<b>0</b>	<b>0</b>	<b>0</b>	<b>5,178</b>	<b>145,960</b>	<b>614,799,484</b>
-	-	-	227,114	-	227,114
-	-	-	12,157	-	12,157
-	-	-	11,981,048	-	11,981,048
-	113,294	-	1,997,674	-	2,843,621
-	(106,132)	-	(10,426,412)	-	(10,982,222)
<b>0</b>	<b>7,162</b>	<b>0</b>	<b>3,791,581</b>	<b>0</b>	<b>4,081,718</b>
<b>1,219,659</b>	<b>122,108</b>	<b>0</b>	<b>7,634,866</b>	<b>215,209</b>	<b>721,585,737</b>
34,462	5,736	-	268,004	-	902,779
-	16,258	-	1,057,131	-	1,203,160
-	-	-	-	-	443,153
-	-	-	-	-	1,775,332
-	10,605	-	157,058	-	264,748
-	-	-	-	-	582,955
-	-	-	-	-	102,348,086
-	-	-	-	-	1,139,739
-	-	-	-	-	141,817
-	-	-	4,067	-	12,361,347
<b>34,462</b>	<b>32,599</b>	<b>0</b>	<b>1,486,260</b>	<b>0</b>	<b>121,163,116</b>
-	-	-	-	-	438,848,679
-	-	-	-	-	485,613
-	-	-	4,725	-	30,825
<b>0</b>	<b>0</b>	<b>0</b>	<b>4,725</b>	<b>0</b>	<b>439,365,117</b>
<b>34,462</b>	<b>32,599</b>	<b>0</b>	<b>1,490,985</b>	<b>0</b>	<b>560,528,233</b>
-	-	-	3,791,581	-	3,794,423
-	-	-	-	-	113,631,010
-	30,000	-	-	-	30,000
1,185,197	59,509	-	2,352,300	215,209	43,602,071
<b>\$ 1,185,197</b>	<b>\$ 89,509</b>	<b>\$ 0</b>	<b>\$ 6,143,881</b>	<b>\$ 215,209</b>	<b>\$ 161,057,504</b>

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
NON-MAJOR COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Function/Program</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Vermont Economic Development Authority.....	\$ 5,210,819	\$ 3,972,597	\$ 2,101,508	\$ -	\$ 863,286
Vermont Housing & Conservation Board.....	13,055,780	-	9,358,496	-	(3,697,284)
Vermont Sustainable Jobs Fund.....	592,869	-	552,125	-	(40,744)
Vermont Municipal Bond Bank.....	24,166,758	21,507,943	-	-	(2,658,815)
Vermont Educational and Health Buildings Financing Agency.....	184,579	148,519	-	-	(36,060)
Vermont Center for Geographic Information, Inc.....	493,384	202,091	301,992	-	10,699
Vermont Transportation Authority.....	-	-	-	-	-
Vermont Veterans' Home.....	14,978,993	15,494,869	28,697	49,013	593,586
Vermont Rehabilitation Corporation.....	7	-	-	-	(7)
<b>Total non-major component units.....</b>	<b><u>\$ 58,683,189</u></b>	<b><u>\$ 41,326,019</u></b>	<b><u>\$ 12,342,818</u></b>	<b><u>\$ 49,013</u></b>	<b><u>(4,965,339)</u></b>

General Revenues:	
Property transfer tax.....	12,604,000
Investment income.....	5,499,016
Miscellaneous.....	(294,835)
Total general revenues.....	<u>17,808,181</u>
Changes in net assets.....	12,842,842
Net assets - beginning.....	<u>148,214,662</u>
Net assets - ending.....	<u>\$ 161,057,504</u>



**STATISTICAL INFORMATION  
(UNAUDITED)**

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*Vermont*

**STATE OF VERMONT**  
**STATEMENT OF NET ASSETS BY COMPONENTS**  
**FOR THE LAST FOUR FISCAL YEARS**  
**(Accrual Basis of Accounting)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt.....	\$ 1,055,464,625	\$ 1,001,388,886	\$ 928,020,928	\$ 783,951,377
Restricted.....	111,942,593	121,352,328	90,217,671	94,309,980
Unrestricted.....	(69,649,499)	(67,098,959)	(169,421,307)	(52,608,139)
Total governmental activities net assets.....	<u>\$ 1,097,757,719</u>	<u>\$ 1,055,642,255</u>	<u>\$ 848,817,292</u>	<u>\$ 825,653,218</u>
<b>Business Type Activities</b>				
Invested in capital assets, net of related debt.....	\$ 483,635	\$ 464,618	\$ 533,770	\$ 504,762
Restricted.....	227,855,775	238,547,672	264,989,370	314,711,238
Unrestricted.....	3,845,924	3,529,815	3,122,083	3,606,744
Total Business-Type activities net assets.....	<u>\$ 232,185,334</u>	<u>\$ 242,542,105</u>	<u>\$ 268,645,223</u>	<u>\$ 318,822,744</u>
<b>Primary Government</b>				
Invested in capital assets, net of related debt.....	\$ 1,055,948,260	\$ 1,001,883,504	\$ 928,554,698	\$ 784,456,139
Restricted.....	339,798,368	359,900,100	355,207,041	409,021,218
Unrestricted.....	(65,803,575)	(63,569,144)	(166,299,224)	(49,001,395)
Total Primary Government net assets.....	<u>\$ 1,329,943,053</u>	<u>\$ 1,298,214,460</u>	<u>\$ 1,117,462,515</u>	<u>\$ 1,144,475,962</u>
<b>Discretely Presented Component Units</b>				
Invested in capital assets, net of related debt.....	\$ 171,458,877	\$ 151,213,394	\$ 154,068,373	\$ 159,352,039
Restricted.....	470,244,961	446,997,871	404,226,821	364,794,162
Unrestricted.....	215,838,933	205,624,698	182,059,839	177,586,817
Total Discretely Presented Units net assets.....	<u>\$ 857,542,771</u>	<u>\$ 803,835,963</u>	<u>\$ 740,355,033</u>	<u>\$ 701,733,018</u>

**STATE OF VERMONT**  
**CHANGES IN NET ASSETS BY FUNCTION**  
**FOR THE LAST FOUR FISCAL YEARS**  
**(accrual Basis of Accounting)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Expenses:</b>				
Governmental activities:				
General government.....	\$ 130,521,043	\$ 98,474,432	\$ 51,573,621	\$ 87,431,591
Protection to persons & property.....	213,426,040	196,013,649	186,817,842	173,208,802
Human services.....	1,392,265,594	1,299,865,739	1,185,924,153	1,046,568,774
Employment & training.....	20,582,854	26,290,402	27,906,916	25,972,322
General education.....	1,446,411,207	1,149,533,015	1,096,988,222	1,035,750,817
Natural resources.....	78,421,902	72,892,394	69,459,648	71,367,475
Commerce & community development.....	35,651,341	29,862,767	33,849,108	36,782,068
Transportation.....	269,066,282	251,788,690	236,214,373	257,519,692
Public service enterprises.....	1,649,863	1,898,161	1,897,774	2,001,936
Interest on long-term debt.....	19,306,820	22,590,740	26,358,563	23,549,404
<b>Total governmental activities expenses.....</b>	<b><u>3,607,302,946</u></b>	<b><u>3,149,209,989</u></b>	<b><u>2,916,990,220</u></b>	<b><u>2,760,152,881</u></b>
Business-type activities:				
Vermont Lottery Commission.....	71,719,711	72,319,680	63,650,809	65,590,029
Liquor Control.....	38,155,229	36,236,080	34,357,279	33,311,074
Unemployment Compensation.....	79,967,905	99,549,897	130,315,726	88,557,267
Other.....	3,872,621	2,726,827	3,026,310	2,823,430
Total business-type activities expenses.....	<u>193,715,466</u>	<u>210,832,484</u>	<u>231,350,124</u>	<u>190,281,800</u>
<b>Total primary government expenses.....</b>	<b><u>\$ 3,801,018,412</u></b>	<b><u>\$ 3,360,042,473</u></b>	<b><u>\$ 3,148,340,344</u></b>	<b><u>\$ 2,950,434,681</u></b>
Component units:				
University of Vermont & State Agricultural College....	\$ 423,317,000	\$ 406,661,000	\$ 379,503,000	\$ 345,610,000
Vermont State Colleges.....	125,540,113	118,800,228	106,498,224	100,250,838
Vermont Student Assistance Corporation.....	130,083,000	94,333,000	93,829,000	99,644,000
Other.....	58,683,189	61,499,406	61,389,984	59,012,629
<b>Total component units.....</b>	<b><u>\$ 737,623,302</u></b>	<b><u>\$ 681,293,634</u></b>	<b><u>\$ 641,220,208</u></b>	<b><u>\$ 604,517,467</u></b>
<b>Program Revenues:</b>				
Governmental activities:				
Charges for services.....	\$ 256,323,976	\$ 245,698,492	\$ 211,650,770	\$ 195,759,410
Operating grants & contributions.....	1,032,577,419	1,096,788,598	935,183,708	831,069,156
Capital grants & contributions.....	130,645,583	113,007,095	1,160,226,645	1,443,636,660
<b>Total governmental activities program revenues.....</b>	<b><u>1,419,546,978</u></b>	<b><u>1,455,494,185</u></b>	<b><u>1,262,857,123</u></b>	<b><u>1,171,192,226</u></b>
Business-type activities:				
Charges for services.....	191,977,751	190,198,845	180,219,708	184,386,507
Operating grants & contributions.....	-	-	-	-
Capital grants & contributions.....	-	-	-	-
<b>Total business-type activities program revenues.....</b>	<b><u>191,977,751</u></b>	<b><u>190,198,845</u></b>	<b><u>180,219,708</u></b>	<b><u>184,386,507</u></b>
<b>Total primary government program revenues.....</b>	<b><u>\$ 1,611,524,729</u></b>	<b><u>\$ 1,645,693,030</u></b>	<b><u>\$ 1,443,076,831</u></b>	<b><u>\$ 1,355,578,733</u></b>
Component units:				
Charges for services.....	\$ 398,851,455	\$ 367,584,423	\$ 336,282,753	\$ 329,497,190
Operating grants & contributions.....	317,304,332	302,914,264	285,898,126	262,975,790
Capital grants & contributions.....	16,618,040	9,857,101	12,349,755	10,038,000
<b>Total component units program revenues.....</b>	<b><u>\$ 732,773,827</u></b>	<b><u>\$ 680,355,788</u></b>	<b><u>\$ 634,530,634</u></b>	<b><u>\$ 602,510,980</u></b>
<b>Net (Expense) Revenue:</b>				
Governmental activities.....	\$ (2,187,755,968)	\$ (1,693,715,804)	\$ (1,654,133,097)	\$ (1,588,960,655)
Business-type activities.....	(1,737,715)	(20,633,639)	(51,130,416)	(5,895,293)
<b>Total primary government net (expense).....</b>	<b><u>(2,189,493,683)</u></b>	<b><u>\$ (1,714,349,443)</u></b>	<b><u>\$ (1,705,263,513)</u></b>	<b><u>\$ (1,594,855,948)</u></b>
Component units.....	\$ (4,849,475)	\$ (937,846)	\$ (6,689,574)	\$ (2,006,487)

*Continued on next page.*

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>General Revenues and Other Changes in Net Assets:</b>				
Governmental activities:				
Taxes:				
Personal and corporate income.....	\$ 568,058,897	\$ 496,301,917	\$ 404,947,697	\$ 429,430,661
Sales and use.....	312,395,227	264,336,818	205,205,492	217,685,005
Meals and rooms.....	111,979,770	109,914,847	95,354,842	100,622,918
Purchase and use.....	84,046,573	86,363,011	82,089,177	79,455,165
Motor fuel.....	67,334,972	68,654,068	71,257,920	69,223,434
Statewide property.....	732,330,555	487,535,603	453,868,075	424,243,836
Other taxes.....	294,257,364	329,543,672	284,253,279	236,994,926
Total taxes.....	<u>2,170,403,358</u>	<u>1,842,649,936</u>	<u>1,596,976,482</u>	<u>1,557,655,945</u>
Unrestricted investment earnings.....	6,664,257	3,130,140	4,602,180	4,529,099
Tobacco litigation settlement.....	26,205,607	25,819,716	30,545,249	31,000,098
Additions to non-expendable endowments.....	-	-	-	-
Miscellaneous.....	5,875,143	7,194,789	2,446,521	2,284,384
Transfers.....	20,722,967	19,957,578	16,582,383	16,929,798
Extraordinary Item:				
Gain (loss) on forgiveness of debt.....	-	-	(7,500,000)	-
<b>Total governmental activities.....</b>	<b><u>2,229,871,332</u></b>	<b><u>1,898,752,159</u></b>	<b><u>1,643,652,815</u></b>	<b><u>1,612,399,324</u></b>
Business-type activities:				
Unrestricted investment earnings.....	12,388,648	14,502,200	18,011,637	19,964,380
Miscellaneous.....	(274,809)	15,899	2,646	295
Capital asset transfers.....	(39,928)	-	-	-
Transfers.....	(20,722,967)	(19,957,578)	(16,582,383)	(16,929,798)
<b>Total business-type activities.....</b>	<b><u>(8,649,056)</u></b>	<b><u>(5,439,479)</u></b>	<b><u>1,431,900</u></b>	<b><u>3,034,877</u></b>
<b>Total Primary Government.....</b>	<b><u>\$ 2,221,222,276</u></b>	<b><u>\$ 1,893,312,680</u></b>	<b><u>\$ 1,645,084,715</u></b>	<b><u>\$ 1,615,434,201</u></b>
Component units:				
Other taxes.....	\$ 12,604,000	\$ 12,604,000	\$ 11,088,000	\$ 11,088,000
Unrestricted investment earnings.....	45,836,899	53,154,281	27,195,488	5,910,584
Additions to non-expendable endowments.....	360,219	116,197	-	-
Miscellaneous.....	(294,835)	89,043	62,323	-
Extraordinary Items:				
Gain (loss) on forgiveness of debt.....	-	-	7,500,000	-
Loss on extinguishment of debt.....	-	-	(755,815)	-
<b>Total Component units.....</b>	<b><u>\$ 58,506,283</u></b>	<b><u>\$ 65,963,521</u></b>	<b><u>\$ 45,089,996</u></b>	<b><u>\$ 16,998,584</u></b>
<b>Changes in net assets</b>				
Governmental activities.....	\$ 42,115,364	\$ 205,036,355	\$ (10,480,282)	\$ 23,438,669
Business-type activities.....	(10,386,771)	(26,073,118)	(49,698,516)	(2,860,416)
Total primary government.....	<u>\$ 31,728,593</u>	<u>\$ 178,963,237</u>	<u>\$ (60,178,798)</u>	<u>\$ 20,578,253</u>
Total component units.....	<u>\$ 53,656,808</u>	<u>\$ 65,025,675</u>	<u>\$ 38,400,422</u>	<u>\$ 14,992,097</u>

**STATE OF VERMONT**  
**Governmental Funds**  
**Fund Balances**  
**Last Four Fiscal Years**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund				
Reserved.....	\$ 95,058,522	\$ 92,751,312	\$ 51,695,723	\$ 52,690,713
Unreserved.....	68,609,646	61,974,484	97,898,194	47,061,962
Total General Fund.....	<u>163,668,168</u>	<u>154,725,796</u>	<u>149,593,917</u>	<u>99,752,675</u>
Transportation Fund				
Reserved.....	11,100,340	10,735,843	15,828,871	9,214,813
Unreserved.....	11,128,112	10,707,469	535,586	(4,756,710)
Total Transportation Fund.....	<u>22,228,452</u>	<u>21,443,312</u>	<u>16,364,457</u>	<u>4,458,103</u>
Education Fund				
Reserved.....	22,901,303	22,762,537	14,243,809	11,109,739
Unreserved.....	3,104,096	18,208,772	3,012,236	(4,067,521)
Total Education Fund.....	<u>26,005,399</u>	<u>40,971,309</u>	<u>17,256,045</u>	<u>7,042,218</u>
Special Fund				
Reserved.....	3,836,383	2,525,122	821,362	1,840,921
Unreserved.....	68,481,932	65,972,522	45,464,071	40,835,357
Total Special Fund.....	<u>72,318,315</u>	<u>68,497,644</u>	<u>46,285,433</u>	<u>42,676,278</u>
Federal Revenue Fund				
Reserved.....	12,765,821	12,972,150	13,046,730	11,201,089
Unreserved.....	40,450,187	44,977,425	28,613,902	30,394,259
Total Federal Revenue Fund.....	<u>53,216,008</u>	<u>57,949,575</u>	<u>41,660,632</u>	<u>41,595,348</u>
Capital Projects Funds				
Reserved.....	5,698,815	5,326,240	2,771,111	5,617,360
Unreserved.....	20,816,577	36,362,811	51,798,769	37,299,263
Total Capital Projects Funds.....	<u>26,515,392</u>	<u>41,689,051</u>	<u>54,569,880</u>	<u>42,916,623</u>
All Other Governmental Funds				
Reserved.....	7,518,747	7,495,910	7,655,311	7,549,304
Unreserved.....	9,158,194	5,892,178	6,351,872	5,361,361
Total Other Government Funds.....	<u>16,676,941</u>	<u>13,388,088</u>	<u>14,007,183</u>	<u>12,910,665</u>
Total All Governmental Funds.....	<u>\$ 380,628,675</u>	<u>\$ 398,664,775</u>	<u>\$ 339,737,547</u>	<u>\$ 251,351,910</u>

**STATE OF VERMONT  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
LAST FOUR FISCAL YEARS**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>REVENUES:</b>				
Taxes:				
Personal income tax.....	\$ 499,007,204	\$ 434,394,509	\$ 369,498,175	\$ 443,453,138
Corporate income tax.....	61,154,296	57,028,473	33,000,884	32,720,757
Sales and use tax.....	311,416,817	264,190,302	217,983,997	215,503,133
Meals and rooms.....	113,036,649	109,067,887	101,876,104	99,125,573
Motor fuel tax.....	67,343,365	68,645,675	71,257,921	69,223,433
Purchase and use tax.....	84,046,573	86,363,011	82,089,177	79,510,124
Statewide property tax.....	732,330,555	487,535,603	453,913,699	424,198,212
Other taxes.....	291,795,513	324,076,107	285,624,932	236,991,386
Earnings of departments:				
Fees.....	58,290,625	46,613,828	47,770,289	36,708,774
Rents and leases.....	3,498,567	3,524,664	912,556	1,727,405
Sales of services.....	9,752,341	10,686,898	13,119,135	13,886,288
Federal grants.....	1,149,686,863	1,195,394,472	1,036,188,776	964,141,863
Fines, forfeits and penalties.....	19,382,893	22,136,295	15,150,570	14,209,581
Investment income.....	7,905,566	4,579,721	5,561,830	6,883,583
Licenses:				
Business.....	13,618,833	12,878,371	8,998,922	8,468,457
Non-business.....	66,278,454	65,535,249	62,828,447	57,658,175
Special assessments.....	25,154,296	25,865,976	22,454,287	21,629,014
Other revenues.....	69,137,334	77,710,776	85,137,810	78,526,877
<b>Total revenues.....</b>	<b><u>3,582,836,744</u></b>	<b><u>3,296,227,817</u></b>	<b><u>2,913,367,511</u></b>	<b><u>2,804,565,773</u></b>
<b>EXPENDITURES:</b>				
General government.....	94,139,825	59,420,753	56,610,063	71,394,584
Protection to persons and property.....	229,844,368	200,556,219	184,257,770	174,438,289
Human services.....	1,398,468,010	1,298,524,173	1,200,628,758	1,064,306,490
Employment & training.....	20,946,037	26,193,011	27,904,668	26,285,028
General education.....	1,423,696,712	1,119,927,687	1,067,249,406	1,021,058,900
Natural resources.....	89,228,873	76,194,919	84,602,070	86,309,386
Commerce and community development.....	35,898,807	28,628,106	32,963,605	34,094,561
Transportation.....	312,593,496	289,728,406	284,978,570	311,109,113
Public service enterprises.....	1,649,863	1,898,161	1,897,774	2,001,936
Capital outlay.....	67,352,699	41,195,540	40,702,096	34,727,809
Debt service:				
Interest.....	22,004,546	27,213,333	23,687,879	23,804,098
Principal.....	45,348,153	43,620,613	49,526,115	45,410,549
<b>Total expenditures.....</b>	<b><u>3,741,171,389</u></b>	<b><u>3,213,100,921</u></b>	<b><u>3,055,008,774</u></b>	<b><u>2,894,940,743</u></b>
<b>Excess of revenues over (under) expenditures.....</b>	<b><u>(158,334,645)</u></b>	<b><u>83,126,896</u></b>	<b><u>(141,641,263)</u></b>	<b><u>(90,374,970)</u></b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from the sale of bonds.....	41,000,000	42,200,000	35,800,000	51,000,000
Proceeds from the sale of refunding bonds.....	23,267,099	146,554,448	31,555,000	-
Premium on sale of bonds.....	93,445	1,838,750	2,413,804	123,348
Payment to bond escrow agent.....	(22,431,596)	(146,071,943)	(33,778,426)	-
Premium on sale of short-term notes.....	-	-	678,750	-
Transfers in.....	478,209,945	438,309,704	401,290,002	347,614,574
Transfers out.....	(447,193,047)	(418,644,990)	(382,222,560)	(326,202,917)
<b>Total other financing sources (uses).....</b>	<b><u>72,945,846</u></b>	<b><u>64,185,969</u></b>	<b><u>55,736,570</u></b>	<b><u>72,535,005</u></b>
<b>Extraordinary Item:</b>				
Loss on forgiveness of debt.....	-	-	(2,204,948)	-
<b>Net change in fund balances.....</b>	<b><u>\$ (85,388,799)</u></b>	<b><u>\$ 147,312,865</u></b>	<b><u>\$ (88,109,641)</u></b>	<b><u>\$ (17,839,965)</u></b>

Debt Service as a percentage of noncapital expenditures	1.83%	2.23%	2.43%	2.42%
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**STATE OF VERMONT  
CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE LAST FOUR FISCAL YEARS  
(Accrual Basis of Accounting)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b><u>PENSION TRUST</u></b>				
<b>Additions</b>				
Employer contributions.....	\$ 71,022,972	\$ 60,160,215	\$ 52,380,128	\$ 50,961,099
Plan member contributions.....	44,810,739	42,409,184	36,992,076	35,152,814
Transfers from non-state systems.....	253,480	2,195,732	17,664,477	-
Other contributions.....	-	-	-	16,277
Investment income (net of investment expenses).....	231,408,753	338,174,368	105,755,126	(111,325,687) *
<b>Total additions to plan net assets.....</b>	<b><u>347,495,944</u></b>	<b><u>442,939,499</u></b>	<b><u>212,791,807</u></b>	<b><u>(25,195,497)</u></b>
<b>Deductions</b>				
Retirement benefits.....	124,422,326	114,435,183	104,644,799	97,832,847
Refunds of contributions.....	3,006,194	2,515,926	2,430,218	1,990,512
Death claims.....	640,810	478,080	242,090	441,024
Operating expenses.....	24,427,519	19,346,129	18,651,283	15,536,040
<b>Total deductions from Plan Net Assets.....</b>	<b><u>152,496,849</u></b>	<b><u>136,775,318</u></b>	<b><u>125,968,390</u></b>	<b><u>115,800,423</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 194,999,095</u></b>	<b><u>\$ 306,164,181</u></b>	<b><u>\$ 86,823,417</u></b>	<b><u>\$ (140,995,920)</u></b>
<b><u>PRIVATE PURPOSE TRUST</u></b>				
<b>Additions</b>				
Investment Income (net of investment expenses).....	\$ 152,487	\$ 106,222	\$ 52,700	\$ 88,802
Escheat property remittances.....	6,352,077	9,668,524	1,761,422	2,314,127
<b>Total additions to Plan Net Assets.....</b>	<b><u>6,504,564</u></b>	<b><u>9,774,746</u></b>	<b><u>1,814,122</u></b>	<b><u>2,402,929</u></b>
<b>Deductions</b>				
Operating expenses.....	752,567	1,365,470	291,380	341,120
Other expenses.....	6,251,407	7,837,520	1,682,549	2,414,331
<b>Total deductions from Plan Net Assets.....</b>	<b><u>7,003,974</u></b>	<b><u>9,202,990</u></b>	<b><u>1,973,929</u></b>	<b><u>2,755,451</u></b>
<b>Change in net assets.....</b>	<b><u>\$ (499,410)</u></b>	<b><u>\$ 571,756</u></b>	<b><u>\$ (159,807)</u></b>	<b><u>\$ (352,522)</u></b>

\* FY2002 Reported Net Depreciation of (\$177,184,738) in Fair value of Estimates, thus resulting in Loss of Net Investments

**STATE OF VERMONT**  
**Tax Revenue by Source**  
**Governmental Funds**  
**Last Four Fiscal Years**  
*(Expressed in thousands)*

Fiscal Year	Personal & Corporate Income Tax							Total
	Sales & Use	Meals & Rooms	Purchase & Use	Motor Fuel	Statewide Property*	Other Taxes		
2002	\$ 217,685	\$ 100,623	\$ 79,455	\$ 69,223	\$ 424,244	\$ 236,995	\$ 1,558	
2003	205,205	95,355	82,089	71,258	453,868	284,253	1,597	
2004	264,337	109,915	86,363	68,654	487,536	329,544	1,843	
2005	312,395	111,980	84,047	67,335	732,331	294,257	2,170	
<b>Percent Change</b>								
2002 to 2005	43.51%	11.29%	5.78%	-2.73%	72.62%	24.16%	18.30%	
2004 to 2005	18.18%	1.88%	-2.68%	-1.92%	50.21%	-10.71%	17.79%	

\* Beginning in fiscal year 2005 the statewide property tax began taxing non-residential property at a higher rate than primary residential property.

STATE OF VERMONT  
REVENUES BY SOURCE  
MAJOR GOVERNMENTAL FUNDS  
FOR THE LAST TEN FISCAL YEARS  
(Expressed in Thousands)  
FOR THE YEAR ENDED JUNE 30

SOURCE	2005	2004	2003	2002	2001
Taxes.....	\$ 2,159,117	\$ 1,830,275	\$ 1,614,229	\$ 1,599,103	\$ 1,590,023
Licenses, Fees and Fines.....	151,826	140,839	128,391	109,914	115,679
Interest on Investments.....	7,030	3,956	4,848	6,273	12,814
Federal.....	1,144,843	1,190,893	1,032,080	960,321	849,191
Departmental Services.....	13,208	14,172	13,966	15,528	10,862
Other.....	93,666	102,801	107,122	99,858	56,032
<b>Total General and Special</b>					
<b>Revenue Fund Revenues.....</b>	<b>\$ 3,569,691</b>	<b>\$ 3,282,936</b>	<b>\$ 2,900,636</b>	<b>\$ 2,790,997</b>	<b>\$ 2,634,601</b>

STATE OF VERMONT  
EXPENDITURES BY FUNCTION  
MAJOR GOVERNMENTAL FUNDS  
FOR THE LAST TEN FISCAL YEARS  
(Expressed in Thousands)  
FOR THE YEAR ENDED JUNE 30

FUNCTION	2005	2004	2003	2002	2001
General Government.....	\$ 69,638	\$ 59,421	\$ 56,610	\$ 71,395	\$ 80,716
Protection.....	222,239	200,556	184,258	174,438	137,703
Human Services.....	1,397,574	1,298,524	1,200,621	1,064,296	909,237
Employment and Training.....	20,946	26,193	27,905	26,285	25,999
General Education.....	1,413,704	1,119,416	1,066,772	1,020,679	883,908
Natural Resources.....	70,251	63,016	70,935	73,883	79,497
Development.....	35,026	29,621	32,964	34,095	33,747
Transportation.....	310,061	288,735	284,978	311,109	294,266
Debt Service.....	67,353	70,834	73,214	69,215	73,896
Other.....	1,650	1,898	1,898	2,002	13,390
<b>Total General and Special</b>					
<b>Revenue Fund Expenditures.....</b>	<b>\$ 3,608,442</b>	<b>\$ 3,158,214</b>	<b>\$ 3,000,155</b>	<b>\$ 2,847,397</b>	<b>\$ 2,532,359</b>

(1) Beginning in 1999, the new Education Fund is included in the above schedules.

(2) Beginning with fiscal year 2002, the Fish & Wildlife fund is not included as it is not reported as a major governmental fund.

<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
\$ 1,529,513	\$ 1,092,581	\$ 981,170	\$ 867,845	\$ 794,815
112,416	105,770	99,334	94,709	93,207
11,549	9,410	7,217	9,524	8,105
847,345	752,470	690,679	599,699	551,037
17,276	15,821	18,156	17,899	23,829
48,706	51,179	66,979	63,293	63,426
<b>\$ 2,566,805</b>	<b>\$ 2,027,231</b>	<b>\$ 1,863,535</b>	<b>\$ 1,652,969</b>	<b>\$ 1,534,419</b>

<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
\$ 65,444	\$ 57,953	\$ 111,280	\$ 74,550	\$ 72,068
128,521	125,349	113,118	101,657	99,908
909,481	822,652	770,663	717,400	670,388
27,631	25,998	23,927	19,193	21,530
884,919	486,572	304,217	289,016	272,189
81,006	71,088	57,898	48,842	48,163
30,167	40,296	32,366	24,274	22,518
266,797	245,902	228,550	189,366	192,241
74,855	72,067	69,952	68,335	66,519
6,063	2,823	7,135	15,609	11,535
<b>\$ 2,474,884</b>	<b>\$ 1,950,700</b>	<b>\$ 1,719,106</b>	<b>\$ 1,548,242</b>	<b>\$ 1,477,059</b>

STATE OF VERMONT  
 Equalized Municipal and Education Values by Category  
 Last Four Calendar Years

Calendar Year ended December 31,	Equalized Municipal Values						Total Taxed Values	State Ave Effective Tax Rate
	Residential	Commercial	Industry	Farming	Other	Less Exemptions		
2004	\$ 37,738,248,348	\$ 7,493,447,933	\$ 1,213,002,239	\$ 708,528,577	\$ 8,010,930,481	****	\$ 55,164,157,578	0.4835
2003	33,724,637,942	6,791,357,366	1,152,989,316	705,618,625	7,524,083,289	64,884,492	49,833,802,046	0.5003
2002	30,748,311,656	6,381,014,817	1,140,128,656	723,463,574	6,702,143,603	76,336,545	45,618,725,761	0.5164
2001	28,334,305,705	6,065,523,219	1,121,552,860	710,097,463	5,022,822,967	31,305,726	41,222,996,488	0.5218

Calendar Year ended December 31,	Equalized Education Values						Total Taxed Values	State Ave Effective Tax Rate
	Residential	Commercial	Industry	Farming	Other	Less Exemptions		
2004	\$ 37,745,135,554	\$ 7,366,642,232	\$ 1,179,133,427	\$ 716,269,651	\$ 7,087,549,936	****	\$ 54,094,730,800	1.3400
2003	33,724,637,942	6,792,547,180	1,154,058,756	705,618,625	6,397,312,696	32,492,689	48,806,667,888	1.5281
2002	30,748,311,656	6,382,286,519	1,142,647,713	723,463,574	5,578,621,604	37,058,870	44,612,389,936	1.5393
2001	28,334,305,705	6,065,523,219	1,121,552,860	710,097,463	5,022,822,967	31,305,726	41,285,607,940	1.5092

\*\*\* Values not listed

Source: Vermont Department of Taxes - Summary of Listed Values and Equalized Municipal Values by Category  
 Vermont Department of Taxes - Summary of Listed Values and Equalized Education Values by Category

**STATE OF VERMONT**  
**Personal Income and Earnings by Major Industry**  
**for the Calendar Years Ending December 31,**  
*(Expressed in Thousands)*

	<b>2005*</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Personal Income	\$ 20,721,000	\$ 19,721,154	\$ 19,130,566	\$ 18,405,362	\$ 17,741,649
Total Earnings	15,488,000	14,608,106	13,873,050	13,240,934	12,836,041
Farm Earnings	177,000	120,416	130,002	111,782	144,132
Non-Farm Earnings	15,311,000	14,487,690	13,743,048	13,129,152	12,691,909
Private Earnings	12,605,000	11,903,388	11,332,873	10,899,147	10,615,549
Forestry, fishing, related activities	81,000	77,594	81,872	81,461	81,546
Mining	47,000	44,095	54,641	54,009	56,394
Utilities	222,000	213,153	201,418	196,487	173,022
Construction	1,147,000	1,098,118	948,435	873,985	873,099
Manufacturing	2,402,000	2,263,314	2,284,914	2,337,528	2,444,748
Durable Goods	1,854,000	1,730,927	1,719,496	1,777,851	1,874,462
Nondurable Goods	548,000	532,387	565,418	559,677	570,286
Wholesale Trade	629,000	608,689	576,104	538,750	513,671
Retail Trade	1,340,000	1,270,424	1,198,393	1,162,919	1,105,382
Transportation and Warehousing	351,000	343,959	316,226	312,313	303,475
Information	347,000	340,882	324,718	314,668	308,245
Finance and Insurance	734,000	687,840	682,700	631,303	599,022
Real Estate and Rental and Leasing	266,000	248,441	213,093	192,944	187,050
Professional and Technical Services	1,103,000	1,008,945	956,349	900,212	893,740
Management of Companies and Enterprises	22,000	21,637	21,169	21,544	19,085
Administrative and Waste Services	339,000	322,430	283,963	277,537	271,335
Education Services	441,000	423,116	379,941	360,853	345,156
Healthcare and Social Assistance	1,905,000	1,758,771	1,692,631	1,573,748	1,418,212
Arts, Entertainment, and Recreation	138,000	124,420	122,886	116,355	104,585
Accommodation and Food Services	640,000	607,616	580,383	562,207	535,780
Other Services, except public administration	452,000	439,944	413,037	328,979	382,002
Government and Government Enterprises	2,707,000	2,584,302	2,410,175	2,230,005	2,076,360
Federal, Civilian	517,000	486,168	433,625	405,385	377,833
Military	150,000	147,677	147,485	99,764	79,440
State and Local	2,040,000	1,950,457	1,829,065	1,724,856	1,619,087
State	*****	832,924	786,483	739,220	693,004
Local	*****	1,117,533	1,042,582	985,636	926,083

\* 2005 data is for estimates 2005 second quarter

\*\*\*\*\* Data not available at this time

**Source: U.S. Bureau of Economic Analysis**

**STATE OF VERMONT**  
**Personal Income Tax Filers and Liability by Income Level**  
**File Year 2004 and 2001**

**Taxable Year 2004**

Income Level	Number of filers	Percentage of total	State Taxable Income <sup>1</sup>	State Personal	Federal Taxable Income <sup>3</sup>	Federal Personal Tax Income <sup>4</sup>	Percentage of Total State	Percentage of Total Federal
				Tax Income (net) <sup>2</sup>				
\$300,000 and higher	1,211	0.36%	795,210,841	\$ 58,946,703	\$ 848,377,599	n/a	14.20%	4.95%
\$150,000 - \$299,999	3,212	0.96%	644,594,203	42,040,100	673,214,855	n/a	10.13%	3.93%
\$100,000 - \$149,999	5,837	1.74%	699,183,752	38,819,348	717,515,299	n/a	9.35%	4.19%
\$75,000 - \$99,999	8,844	2.64%	756,745,662	38,148,674	769,961,062	n/a	9.19%	4.49%
\$50,000 - \$74,999	26,238	7.83%	1,586,150,265	68,559,533	1,602,131,990	n/a	16.52%	9.35%
\$25,000 - \$49,999	60,561	18.07%	2,174,321,735	79,581,822	2,195,197,726	n/a	19.18%	12.81%
\$10,000 - \$24,999	65,584	19.57%	1,119,228,243	38,752,835	1,130,857,504	n/a	9.34%	6.60%
\$9,999 and lower	120,038	35.81%	275,971,385	9,561,522	291,025,324	n/a	2.30%	1.70%
Out of State	43,682	13.03%	8,344,508,987	40,609,954	8,914,123,638	n/a	9.79%	52.00%
<b>totals</b>	<b>335,207</b>	<b>100.00%</b>	<b>\$ 16,395,915,073</b>	<b>\$ 415,020,491</b>	<b>\$ 17,142,404,997</b>	<b>\$ -</b>	<b>100.00%</b>	<b>100.00%</b>

**Taxable Year 2001**

Income Level	Number of filers	Percentage of total	State Taxable Income <sup>1</sup>	State Personal	Federal Taxable Income <sup>3</sup>	Federal Personal Tax Income <sup>4</sup>	Percentage of Total State	Percentage of Total Federal
				Tax Income (net) <sup>2</sup>				
\$300,000 and higher	1,630	0.50%	\$ 1,254,725,613	\$ 75,694,138	n/a	\$ 370,749,101	18.01%	11.03%
\$150,000 - \$299,999	3,563	1.09%	724,089,242	41,586,471	n/a	188,203,704	9.89%	5.60%
\$100,000 - \$149,999	5,766	1.76%	692,311,438	35,661,590	n/a	158,613,632	8.48%	4.72%
\$75,000 - \$99,999	8,237	2.51%	705,873,441	33,893,223	n/a	149,140,204	8.06%	4.44%
\$50,000 - \$74,999	23,616	7.19%	1,422,272,029	61,001,314	n/a	266,553,563	14.51%	7.93%
\$25,000 - \$49,999	60,657	18.48%	2,176,656,440	79,593,847	n/a	344,900,702	18.93%	10.26%
\$10,000 - \$24,999	66,404	20.23%	1,128,273,909	38,850,512	n/a	167,620,974	9.24%	4.99%
\$9,999 and lower	114,227	34.79%	293,032,101	12,363,268	n/a	53,547,639	2.94%	1.59%
Out of State	44,212	13.47%	6,632,869,442	41,709,501	n/a	1,662,299,610	9.92%	49.45%
<b>totals</b>	<b>328,312</b>	<b>100.00%</b>	<b>\$ 15,030,103,655</b>	<b>\$ 420,353,864</b>	<b>\$ -</b>	<b>\$ 3,361,629,129</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> State Taxable Income is the total taxable income reported on line 15 of tax returns for an income class

<sup>2</sup> State Personal Income tax is net of taxable income adjustments, Vermont credits and other tax credits

<sup>3</sup> The Total Federal Taxable Income has reported on Line 11 of Vermont Personal Income Tax Form

<sup>4</sup> The Total Federal Tax Income is Federal Tax payment

**STATE OF VERMONT**  
**MAJOR TAXES BY TYPE**  
**LAST TEN FISCAL YEARS**  
*(Expressed in Thousands)*

	2005*	2004	2003	2002	2001	2000	1999	1998	1997	1996
Bank Franchise	\$ 8,586	\$ 6,504	\$ 6,305	\$ 5,326	\$ 8,822	\$ 8,336	\$ 8,485	\$ 6,822	\$ 3,089	\$ 2,465
Beverage Tax	5,303	5,201	5,056	4,993	4,843	4,819	4,715	4,700	4,592	4,661
Cigarette Tax	45,979	49,838 <sup>e1</sup>	43,393 <sup>d1</sup>	24,520	24,574	23,602	23,717	24,796	25,107	25,558 <sup>a1</sup>
Corporate Income Tax	60,376	55,497	35,286	32,038	50,537	47,094	53,823	50,631 <sup>b2</sup>	42,225	42,360
Electrical Energy Tax	1,900	2,767	2,577	2,810	3,118	5,928	3,575	3,352	3,258	3,484
Estate Tax	18,863	14,712	15,605	13,885	12,714	13,550	23,358	19,157	18,015	5,918
Hazardous Waste Tax	325	352	572	427	335	371	337	423	643	512
Insurance Tax	30,975	29,106	26,508	23,494	21,445	20,401	20,400	20,055	18,552	18,099
Captive Insurance Tax	21,488	19,911	17,740	11,519	10,695	10,001	10,037	9,356	8,628	8,548
Land Gains Tax	5,727	4,288	2,672	1,916	2,010	1,730	929	750	1,265	826
Meals and Rooms Tax	112,956	108,392	102,074	99,142	97,243	92,039	86,900	77,398 <sup>b3</sup>	64,092	61,767
Personal Income Tax	500,464	429,489	411,609	372,927	482,428 <sup>c1</sup>	431,956	382,825	365,959	324,060	281,595
Property Transfer Tax	45,210	33,952	27,537	25,016	21,377	20,935	19,212	15,143	13,692	12,291
Railroad Tax	104	178	168	218	164	67	79	150 <sup>b4</sup>	196	193
Sales and Use Tax	310,803	270,461	231,292	228,356	228,081	230,377	218,570	202,142 <sup>b5</sup>	184,004	182,648
Solid Waste Tax	3,319	3,241	3,187	2,733	2,944	2,159	2,208	1,465 <sup>b6</sup>	1,540	1,025 <sup>a2</sup>
Telephone company (gross) tax	369	258	171	177	1,172	1,207	626	135	53	331
Telephone Property Tax	10,150	10,101	9,939	10,206	9,208	9,121	9,127	9,708	9,939	10,231
<b>Total</b>	<b>\$ 1,182,898</b>	<b>\$ 1,044,247</b>	<b>\$ 941,691</b>	<b>\$ 859,702</b>	<b>\$ 981,710</b>	<b>\$ 923,692</b>	<b>\$ 868,922</b>	<b>\$ 812,142</b>	<b>\$ 722,951</b>	<b>\$ 662,512</b>

a1 Taxes increased to 22 mills per cigarette effective 7/1/95

a2 Taxes increased from \$2.40 to \$2.80 per cubic yard of waste or \$6.00 per ton effective 7/1/96

b1 Rate increased from .000040 to .000066 effective 8/1/97

b2 Increased minimum tax to \$50 (remains \$75 for small farm corporations) and rates to 7%, 8.10%, 9.2% and 9.75% effective 6/26/97

b3 Rate increased from 7% to 9% effective 10/1/97

b4 50% is paid to towns by the State

b5 For 1998 and after, telecommunications tax receipts added to total revenues

b6 Cubic yard option eliminated for all but small landfills effective 7/1/98

c1 Change from percentage of Federal Tax Liability to Vermont Tax rates on Vermont Taxable Income

d1 Tax increased to 46.5 mills per cigarette effective 7/1/02

e1 Tax increased to 59.5 mills per cigarette effective 7/1/03

\* Indicates Preliminary Numbers

**Source : Vermont Department of Taxes - Biennial Report**

**STATE OF VERMONT  
INCOME AND SALES TAX RATES\*  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Individual Income Tax (1)	Corporate Income Tax (2)	Retail Sales Tax	Meals & Rooms Tax (3)
2005	3.6% - 9.5%	7.0% - 9.75%	6%	9%
2004	3.6% - 9.5%	7.0% - 9.75%	6%	9%
2003	3.6% - 9.5%	7.0% - 9.75%	5%	9%
2002	3.6% - 9.5%	7.0% - 9.75%	5%	9%
2001	3.6% - 9.5%	7.0% - 9.75%	5%	9%
2000	24%	7.0% - 9.75%	5%	9%
1999	25%	7.0% - 9.75%	5%	9%
1998	25%	7.0% - 9.75%	5%	9%
1997	25%	7.0% - 9.75%	5%	9%
1996	25%	5.5% - 8.25%	5%	7%

\* Source: Vermont Department of Taxes

- (1) From 1993 to 2000, the tax rate presented above was applied to an individual's federal tax liability with some adjustments. Beginning in 2001, the individual rate range presented above is applied to a calculated Vermont taxable income instead of being applied to the federal tax liability. This methodology change was enacted to maintain the State's effective tax rate that was in effect prior to the recently enacted federal tax cuts.
- (2) Corporate Tax Rate is Graduated - Only the Upper and Lower Rates are shown- Minimum Corporate Tax amount = \$250.00.
- (3) Beginning June 1989, Alcoholic Beverages are taxed at 10% rate.

STATE OF VERMONT  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES

Fiscal Year	Total Principal and Interest Paid	Total General Fund Expenditures	Percent of Debt Service to General Fund Expenditures
2005	\$ 62,587,361	\$ 666,132,904	9.4%
2004	66,077,580	554,195,102	11.9%
2003	67,902,550	588,984,890	11.5%
2002	63,899,370	650,765,001	9.8%
2001	68,376,276	554,819,262	12.3%
2000	68,617,331	531,022,437	12.9%
1999	66,056,281	483,978,505	13.6%
1998	66,073,612	674,868,655	9.8%
1997	64,049,337	632,767,461	10.1%
1996	61,494,937	624,733,701	9.8%
1995	53,018,022	614,895,686	8.6%

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
TRANSPORTATION BONDED DEBT TO TOTAL TRANSPORTATION FUND EXPENDITURES

Fiscal Year	Total Principal and Interest Paid	Total Transportation Fund Expenditures	Percent of Debt Service to Transportation Fund Expenditures
2005	\$ 2,356,087	\$ 357,883,162	0.7%
2004	2,407,287	337,095,329	0.7%
2003	2,820,399	337,098,500	0.8%
2002	2,910,054	370,338,943	0.8%
2001	3,131,320	345,005,330	0.9%
2000	3,789,207	318,156,255	1.2%
1999	3,844,747	273,670,237	1.4%
1998	3,903,053	257,410,313	1.5%
1997	4,422,889	227,054,831	1.9%
1996	5,109,202	221,500,451	2.3%
1995	5,653,983	212,260,877	2.7%

The figures shown above are actual cash paid out, which are different than the GAAP based figures reported on the financial statements.

**STATE OF VERMONT**  
**Ratios of Outstanding Debt by Type**  
**Last Nine Years**

Expressed in Thousands								
<b>Fiscal Year</b>	<b>General Obligation Current Interest Bonds</b>	<b>General Obligation Capital Appreciation Bonds (1)</b>	<b>Total General Obligation Bonds</b>	<b>Capital Leases</b>	<b>Net Pension Obligation</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita In \$</b>
2005	\$422,212	\$41,178	\$463,390	\$694	\$172,921	\$620,645	3.00%	\$985
2004	423,287	45,836	469,123	-	151,521	620,645	2.95%	999
2003	422,755	51,030	473,785	-	133,318	607,103	3.17%	981
2002	430,735	55,730	486,465	-	126,027	612,492	3.33%	993
2001	420,890	59,553	480,443	-	125,124	605,567	3.41%	988
2000	464,865	62,434	527,299	-	124,353	651,653	N/A	1,068
1999	473,355	64,436	537,791	1,943	123,541	663,276	N/A	1,117
1998	488,005	60,128	548,133	3,028	121,747	672,909	N/A	1,139
1997	456,290	61,996	518,286	30,281	113,700	662,268	N/A	1,124

(1) Net of Unaccrued Interest  
N/A - Not Available

**State of Vermont**  
**Ratios of Outstanding Debt By Property Tax and Per Capita**  
**Last Nine Years**

<b>Fiscal Year</b>	<b>General Obligation Current Interest Bonds</b>	<b>General Obligation Capital Appreciation Bonds (1)</b>	<b>Total</b>	<b>Equalized Municipal Total Taxed Property Values</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Bonded Debt Per Capita</b>
2005	\$422,212,000	\$41,178,739	\$463,390,739	*****	*****	\$746
2004	423,287,000	45,836,782	469,123,782	55,164,157,578	0.85%	755
2003	422,755,000	51,030,874	473,785,874	49,833,802,046	0.95%	763
2002	430,735,000	55,730,090	486,465,090	45,618,725,761	1.07%	783
2001	420,890,000	59,553,358	480,443,358	41,222,996,488	1.17%	774
2000	464,865,000	62,434,605	527,299,605	N/A	N/A	849
1999	473,355,000	64,436,160	537,791,160	N/A	N/A	866
1998	488,005,000	60,128,694	548,133,694	N/A	N/A	883
1997	456,290,000	61,996,581	518,286,581	N/A	N/A	835

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements

(1) Net of Unaccreted Interest

N/A - Not Applicable

\*\*\*\*\* - Not Available

STATE OF VERMONT  
RATIO OF GENERAL OBLIGATION BONDED DEBT TO ASSESSED TAXABLE PROPERTY  
VALUE AND GENERAL OBLIGATION BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS

Year	Population (1000's) (1)	Assessed Value (Billions) (2)	Bonded Debt (1000's) (3)	Bonded Debt	
				Ratio To Assessed Value	Per Capita
2005	630	\$ 45.54	\$ 463,390	1.02%	\$ 736
2004	621	44.50	469,124	1.05%	755
2003	619	41.57	473,786	1.14%	765
2002	617	38.99	486,465	1.25%	788
2001	613	37.41	480,443	1.28%	784
2000	610	36.27	527,300	1.45%	864
1999	594	35.50	537,791	1.51%	905
1998	592	35.99	581,990	1.62%	983
1997	589	34.80	555,905	1.60%	944
1996	586	34.30	543,800	1.59%	928

(1) U.S. Department of Commerce - Bureau of Economic Analysis

(2) Vermont Tax Department, Division of Property Valuation and Review, Annual Report

(3) Annual Report of Commissioner of Finance and Management

NOTE: Since 1987, the State's property values have been equalized annually as of January 1 for property values as of April 1 of the previous year for purposes of distributions to and assessments upon municipalities.

**State of Vermont  
Statewide Largest Employers**

Alphabetical Listing of Vermont's Top 50 Employers  
As of June 2005

<u>Employer</u>	<u>Size Code</u>	<u>Employer</u>	<u>Size Code</u>
Banknorth NA	4	Rutland Hospital Inc (The)	5
Ben & Jerry's Homemade Inc.	4	Rutland Public School System	4
Burlington Public Schools	4	Shaw's Supermarkets Inc.	5
Burlington, City of	4	Simmonds Precision Products Inc	4
C & S Wholesale Grocers Inc.	4	Smugglers Notch Management Co LTD	4
Central Vermont Hospital Inc	4	Sodexo Operations LLC	4
Central Vermont Public Service Corp	4	South Burlington School District	4
Chittenden Trust Company	5	Southwestern Vermont Medical Center	4
Department of Homeland Security	5	Sov Dad Aris	4
Fletcher Allen Health Care Inc	5	SOVDs Aris	4
General Dynamics Armament Systems Inc	4	Sov Path Aris	5
General Electric Company	5	Saint Michaels College	4
Home Depot USA Inc	4	State of Vermont	5
Howard Center for Human Svcs Inc	4	U.S 1st & 2nd Class Post Offices	5
International Business Machines Corporation	5	U.S. Rural Carriers Postal Svcs	4
Martin's Foods of South Burlington	5	United Parcel Service Inc New York	4
Maxi Green Inc	4	University of Vt & State Agr College	5
Mcco, Richard & Golden Arch Inc	4	Verizon New England Inc	4
National Life Insurance Company	4	Vermont State Colleges	5
Northeast Kingdom Human Svcs Inc	4	Vermont Subacute LLC	4
Northwestern Medical Center Inc	4	Veterans' Administration Hospital	4
Norwich University	4	Visiting Nurse Assoc of Chit & GI	4
NSK Steering Systems America inc	4	Walmart Associates Inc	4
Pres & Fellows of Middlebury College	5	Washington County Mental Health Svcs	4
Price Chopperr Operations Co of VT Inc	5	Westaff Inc (USA)	4

\* Data is for employees covered under Vermont's unemployment law. As such, contract employees are not included.

** <u>Size Code</u>	<u># of Employees</u>
0	less than 50
1	50 - 99
2	100 - 249
3	250 - 499
4	500 - 999
5	1000 and over

**STATE OF VERMONT**  
**Demographic and Economic Statistics**  
**Last Ten Years**

	<b>Population</b>				<b>Per Capita Personal Income <sup>2</sup></b>		
	U.S. <sup>1</sup>	Change from Prior Period	State of Vermont	Change from Prior Period	U.S.	State of Vermont	Vermont as a percentage of U.S.
2005	295,507,000	0.63%	630,000	1.43%	*****	*****	*****
2004	293,655,000	0.99%	621,000	0.32%	33,041	31,737	96.05%
2003	291,049,000	0.99%	619,000	0.32%	31,487	30,103	95.60%
2002	288,205,000	1.01%	617,000	0.65%	30,814	29,245	94.91%
2001	285,321,000	1.04%	613,000	0.49%	30,575	28,944	94.67%
2000	282,388,000	1.11%	610,000	2.69%	29,845	27,680	92.75%
1999	272,945,000	1.15%	594,000	0.51%	27,939	25,881	92.63%
1998	270,509,000	1.17%	591,000	0.34%	26,883	24,629	91.62%
1997	268,048,000	1.20%	589,000	0.51%	25,334	23,002	90.79%
1996	265,502,000	1.17%	586,000	0.17%	24,175	21,964	90.85%

<sup>1</sup> as of July 1

<sup>2</sup> Per Capita Personal Income is total personal income divided by total midyear population (Bureau of Economic Analysis:Regional Economic Accounts)

<sup>3</sup> Civilian Labor Force is not seasonally adjusted (Vermont Department of Labor, Labor Market Informations)

<sup>4</sup> Includes All Motor v ehicles private, commerical and public as well as motorcy cles

\*\*\*\*\* - Not Available at time of printing

**Source: U.S. Department of Commerce - Bureau of Economic Analysis**

**Civilian Labor Force <sub>3</sub>**

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State Employed	State Unemployed	State Total	State Unemployment Rate	Public School Enrollment	Motor Vehicle Registered <sub>4</sub>
357,750	11,850	345,850	3.30%	98,361	*****
340,400	13,100	353,400	3.70%	99,104	542,403
335,800	15,700	335,800	4.50%	99,978	563,673
333,700	13,800	347,500	4.00%	100,867	557,979
329,500	11,200	329,500	3.30%	102,049	557,979
326,600	8,900	335,400	2.60%	104,559	536,623
325,600	9,800	335,400	2.90%	105,120	535,278
321,600	10,300	321,600	3.10%	105,984	512,837
315,800	13,000	328,800	4.00%	106,341	514,572
309,700	14,300	323,900	4.40%	105,565	521,395

**STATE OF VERMONT**  
**Full-Time Equivalent State Government Employees by Function/Program**  
**Last Ten Years**

<u>Function/Program</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<b>General Government</b>										
Administration	4	3	11	12	12	12	9	10	7	6
Auditors of Accounts	11	12	12	12	10	11	13	12	11	12
Buildings & General Services	396	399	419	422	390	370	351	298	292	299
Finance & Management	36	38	32	35	30	32	27	29	30	29
Executive (Governor's) Office	17	17	16	19	18	18	19	19	18	18
Information & Innovation <sup>a</sup>	49	51	-	-	-	-	-	-	-	-
Libraries	34	34	34	33	34	37	35	35	38	42
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Dept. of Human Resources (Personnel)	56	56	54	56	52	51	53	50	52	52
State Treasurer	34	33	29	30	29	30	27	26	25	24
Taxes	184	183	179	189	185	182	172	169	156	150
Vermont Labor Relations Board	2	2	2	2	2	2	2	2	2	3
VOSHA Review Board	1	1	1	1	1	1	1	1	1	1
<b>Protection to Persons &amp; Property</b>										
Agriculture	89	87	81	85	84	85	84	82	81	86
Attorney General	68	67	62	69	57	62	45	47	42	45
BISHCA	99	93	89	84	83	87	81	81	77	82
Criminal Justice Training Council	11	8	6	7	8	8	7	6	7	5
Defender General	62	60	55	56	55	56	52	51	50	50
Labor & Industry	43	85	82	82	77	79	77	75	72	78
Liquor Control	54	55	54	56	55	53	50	50	49	50
Military	109	111	104	112	101	101	103	103	102	106
Public Safety	568	511	480	491	490	462	460	427	407	419
Public Service Dept.	47	51	51	51	50	51	47	49	45	44
Public Service Board	25	25	24	23	24	23	24	23	22	22
Secretary of State	48	50	46	43	47	48	43	45	49	48
State's Attorneys & Sheriffs	153	154	145	148	150	145	137	136	132	133
Vermont Human Rights Commission	5	5	5	5	5	5	5	4	4	4
Vermont Lottery Commission	19	19	19	19	20	19	19	19	20	20
VT Fire Service Training Council		7	8	8	7	7	5	4	3	2
<b>Human Services</b>										
Children & Families*	932	n/a								
PATH*		414	406	422	415	396	383	384	382	388
Office of Child Care*		124	119	119	117	118	100	95	98	102
Social & Rehabilitation Services		400	377	398	384	380	346	347	350	352
Vt Office of Health Access	43	n/a								
Aging & Disability	268	216	201	196	186	177	156	146	145	146
Corrections	1,129	1,101	947	967	942	923	840	812	795	799
Economic Opportunity*	n/a	6	8	8	9	9	8	9	9	9
Health*	715	496	483	472	465	441	393	392	382	400
Developmental & MH Services*		96	102	104	102	98	91	90	92	90
Vermont State Hospital*		178	173	152	152	150	155	166	180	173
Human Services	59	54	52	61	57	64	62	62	51	54
Governor's Commission on Women	3	3	3	3	3	4	4	3	3	2
Vermont Veteran's Home	188	195	192	193	166	171	175	183	201	206
<b>Employment &amp; Training</b>										
	250	290	315	324	325	351	341	328	321	336
<b>Education</b>										
	182	181	174	185	170	143	117	114	110	108
<b>Natural Resources</b>										
Environmental Board	29	31	30	32	32	28	29	31	29	29
Environmental Conservation	273	264	256	257	265	259	244	240	232	249
Fish & Wildlife	121	118	117	116	117	120	119	120	117	119
Forests, Parks & Recreation	111	119	115	118	120	118	118	116	117	116
Natural Resources	52	48	48	36	37	41	39	37	26	34
Water Resources Board	3	4	4	4	4	4	4	4	4	4
<b>Commerce &amp; Community Development</b>										
	101	95	92	98	100	95	94	134	127	132
<b>Transportation</b>										
	1,255	1,287	1,261	1,241	1,229	1,189	1,175	1,177	1,159	1,236
	7,940	7,936	7,573	7,658	7,475	7,318	6,943	6,845	6,726	6,916

<sup>a</sup> Department Name Change

\* Reorg in 2005 some department consolidations and other new departments established

Source: Vermont Department of Human Resources - State of Vermont Workforce Report

**STATE OF VERMONT**  
**Capital Assets Activities for fiscal years ended June 30,**  
**Last Four Fiscal Years**

	2005		2004		2003		2002	
	Additions	Deletions	Additions	Deletions	Additions	Deletions	Additions	Deletions
<b>Governmental Activities</b>								
Capital assets, not being depreciated:								
Land and land improvements	\$ 1,635,328	\$ -	\$ 415,417	\$ -	\$ 311,147	\$ -	\$ -	\$ -
Construction in process	127,965,161	(54,558,806)	99,601,752	(85,795,001)	123,098,205	(87,873,301)	107,942,195	(32,655,539)
Works of Art	-	-	-	-	-	-	8,200	-
Total capital assets, not being depreciated	<u>129,600,489</u>	<u>(54,558,806)</u>	<u>100,017,169</u>	<u>(85,795,001)</u>	<u>123,409,352</u>	<u>(87,873,301)</u>	<u>107,950,395</u>	<u>(32,655,539)</u>
Capital assets, being depreciated:								
Buildings and improvements	9,043,718	(70,112)	45,656,439	(19,250)	13,164,477	-	2,381,131	
Machinery and equipment	18,605,259	(10,394,853)	14,994,176	(7,795,887)	32,295,034	(9,449,544)	10,780,308	(4,849,299)
Infrastructure	46,267,152	(5,748,014)	41,526,262	-	71,980,704	(5,082,045)	32,655,539	(912,192)
Total capital assets, being depreciated	<u>73,916,129</u>	<u>(16,212,979)</u>	<u>102,176,877</u>	<u>(7,815,137)</u>	<u>117,440,215</u>	<u>(14,531,589)</u>	<u>45,816,978</u>	<u>(5,761,491)</u>
Less accumulated depreciation for:								
Buildings and improvements	(8,069,635)	392,542	(7,340,377)	-	(5,964,745)	-	(5,200,056)	
Machinery and equipment	(15,400,798)	7,642,172	(13,601,239)	6,704,948	(15,142,260)	8,793,764	(8,118,355)	4,627,518
Infrastructure	(38,262,334)	5,226,940	(37,890,034)	-	(40,651,865)	5,082,045	(38,842,259)	812,920
Total accumulated depreciation	<u>(61,732,767)</u>	<u>13,261,654</u>	<u>(58,831,650)</u>	<u>6,704,948</u>	<u>(61,758,870)</u>	<u>13,875,809</u>	<u>(52,160,670)</u>	<u>5,440,438</u>
Total capital assets, being depreciated, net	<u>12,183,362</u>	<u>(2,951,325)</u>	<u>43,345,227</u>	<u>(1,110,189)</u>	<u>55,681,345</u>	<u>(655,780)</u>	<u>(6,343,692)</u>	<u>(321,053)</u>
Governmental activities capital assets, net	<u>\$ 141,783,851</u>	<u>\$ (57,510,131)</u>	<u>\$ 143,362,396</u>	<u>\$ (86,905,190)</u>	<u>\$ 179,090,697</u>	<u>\$ (88,529,081)</u>	<u>\$ 101,606,703</u>	<u>\$ (32,976,592)</u>
<b>Business-type Activities</b>								
Capital assets, being depreciated:								
Buildings and improvements	\$ -	\$ (5,350)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Machinery and equipment	315,931	(173,900)	139,640	(4,064)	221,896	(84,264)	151,869	(20,289)
Total capital assets, being depreciated	<u>315,931</u>	<u>(179,250)</u>	<u>139,640</u>	<u>(4,064)</u>	<u>221,896</u>	<u>(84,264)</u>	<u>151,869</u>	<u>(20,289)</u>
Less accumulated depreciation for:								
Buildings and improvements	(4,813)	3,567	(5,231)	-	(5,231)		(5,231)	
Machinery and equipment	(223,325)	89,966	(172,997)	40,040	(180,006)	76,613	(181,627)	20,289
Total accumulated depreciation	<u>(228,138)</u>	<u>93,533</u>	<u>(178,228)</u>	<u>40,040</u>	<u>(185,237)</u>	<u>76,613</u>	<u>(186,858)</u>	<u>20,289</u>
Total capital assets, being depreciated, net	<u>87,793</u>	<u>(85,717)</u>	<u>(38,588)</u>	<u>35,976</u>	<u>36,659</u>	<u>(7,651)</u>	<u>(34,989)</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 87,793</u>	<u>\$ (85,717)</u>	<u>\$ (38,588)</u>	<u>\$ 35,976</u>	<u>\$ 36,659</u>	<u>\$ (7,651)</u>	<u>\$ (34,989)</u>	<u>\$ -</u>